中国农业银行
AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1288

Joint Dedication to Build a Beautiful China

2014 Interim Report

Contents

Definitions

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

1.	ABC/We/Our Bank/ the Group/the Bank/ Agricultural Bank of China	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
2.	Articles of Association	The Articles of Association of Agricultural Bank of China Limited approved by the CBRC on 31 December 2012. In addition, the Proposal on the Amendments to the Articles of Association of Agricultural Bank of China Limited was considered and approved at the 2013 annual general meeting of the Bank. The amended Articles of Association were approved by the CBRC and shall become effective on the date of completion of the issuance of the preference shares by the Bank
3.	basis point(s)	A unit measure related to the change in an interest rate or exchange rate, which is equal to 0.01%
4.	CASs/PRC GAAP	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
5.	CBRC	China Banking Regulatory Commission
6.	CSRC	China Securities Regulatory Commission
7.	County Area(s)	The county-level regions (excluding the district-level areas in the cities) in China and the areas under their administration, including counties or county-level cities
8.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial products and services through our branch outlets located in counties and county-level cities in China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"
9.	County Area Banking Division	An internal division with management mechanism adopted by the Bank for specialized operation of financial services provided to Sannong and County Areas, as required under our restructuring into a joint stock limited liability company, focusing on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent

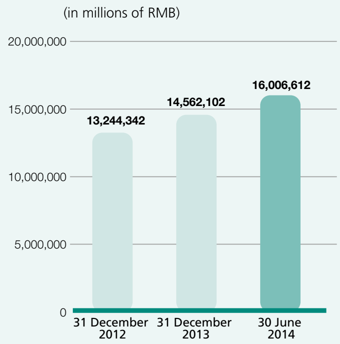
10.	Duration	An approach employed to measure the weighted average term of cash flows of debt securities, mainly reflecting the sensitivity of the value of debt securities to interest rate movements
11.	economic capital	Capital allocated to assets or business for the purpose of mitigating risks based on internal assessment of the management of commercial banks
12.	Huijin	Central Huijin Investment Ltd.
13.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
14.	Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
15.	Industries with high energy consumption, high pollution or overcapacity	Industries with high energy consumption, high pollution or overcapacity
16.	MOF	Ministry of Finance of the People's Republic of China
17.	PBOC	The People's Bank of China
18.	Sannong	Agriculture, rural areas and farmers
19.	subordinated bonds	Bonds issued by a commercial bank, the claim of which ranks prior to its equity capital and after other debts in respect of repayment of principal and interest in the process of liquidation. Subordinated bonds fulfilling the relevant conditions can be classified into Tier 2 capital (or supplementary capital)

Basic Corporate Information

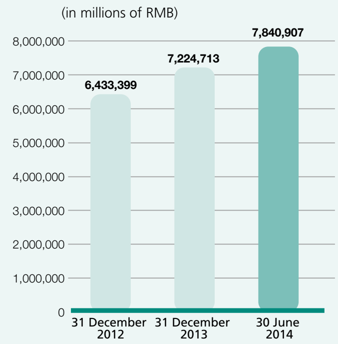
Legal name in Chinese and abbreviation	中國農業銀行股份有限公司 中國農業銀行
Legal name in English and abbreviation	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	JIANG Chaoliang
Authorized representative	ZHANG Yun ZHU Gaoming
Board Secretary and Company Secretary	ZHU Gaoming Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 Fax: 86-10-85108557 E-mail: ir@abchina.com
Date of registration modification and registration authority	25 February 2014 State Administration for Industry and Commerce of the People's Republic of China
Listing exchange of A shares	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 36/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New Area, Shanghai, PRC)
Listing exchange of H shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong)
Name and address of domestic auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai
Name of the undersigned Accountant	WU Weijun, JIANG Kun
Name and address of international auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong

Financial Highlights

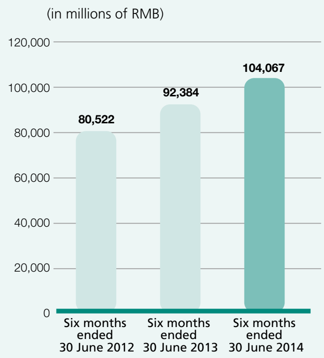
Total assets



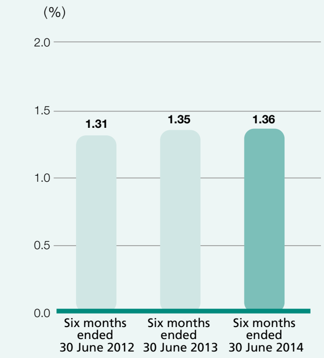
Total loans and advances to customers



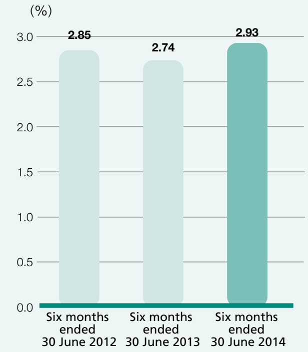
Net profit



Return on average total assets

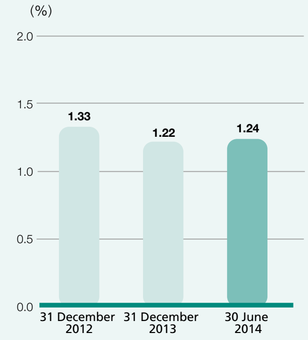


Net interest margin

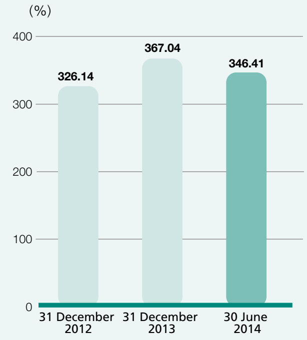


Cost-to-income ratio

Non-performing loan ratio



Allowance to non-performing loans



(Unless otherwise stated, financial data and indicators recorded in this interim report are prepared in accordance with International Financial Reporting Standards ("IFRSs") and denominated in RMB)

The consolidated financial information of the Group for the six months ended 30 June 2014 is set out below:

Major Financial Data

	30 June 2014	31 December 2013	31 December 2012
At the end of the reporting period			
(in millions of RMB)			
Total assets	16,006,612	14,562,102	13,244,342
Total loans and advances to customers	7,840,907	7,224,713	6,433,399
Corporate loans	5,037,409	4,728,857	4,427,989
Discounted bills	76,414	92,823	107,601
Retail loans	2,304,367	2,093,305	1,707,323
Overseas and others	422,717	309,728	190,486
Allowance for impairment losses on loans	337,653	322,191	279,988
Loans and advances to customers, net	7,503,254	6,902,522	6,153,411
Investment in securities and other financial assets, net	3,411,571	3,220,098	2,856,148
Cash and balances with central banks	2,851,344	2,603,802	2,613,111
Deposits and placements with and loans to banks and other financial institutions	1,070,963	706,333	485,613
Financial assets held under resale agreements	750,986	737,052	814,620
Total liabilities	15,098,875	13,717,565	12,492,988
Deposits from customers	12,809,504	11,811,411	10,862,935
Corporate deposits	4,576,375	4,311,407	3,980,483
Retail deposits	7,381,516	6,923,647	6,421,876
Overseas and others	851,613	576,357	460,576
Deposits and placements from banks and other financial institutions	1,143,840	903,717	934,073
Financial assets sold under repurchase agreements	123,922	26,787	7,631
Bonds issued	151,952	156,300	150,885
Equity attributable to equity holders of the Bank	906,216	843,108	749,815
Net capital[1]	1,238,975	1,074,967	910,048
Common Equity Tier 1 (CET1) capital, net[1]	901,163	838,473	N/A
Additional Tier 1 capital, net[1]	2	1	N/A
Tier 2 capital, net[1]	337,810	236,493	N/A
Risk-weighted assets[1]	10,422,045	9,065,631	7,216,178

	Six months ended 30 June 2014	Six months ended 30 June 2013	Six months ended 30 June 2012
Interim operating results			
(in millions of RMB)			
Operating income	267,909	236,044	210,912
Net interest income	209,438	180,002	167,838
Net fee and commission income	47,848	47,597	38,929
Operating expenses	103,386	94,071	84,138
Impairment losses on assets	28,939	22,471	22,772
Total profit	135,584	119,502	104,002
Net profit	104,067	92,384	80,522
Net profit attributable to equity holders of the Bank	104,032	92,352	80,499
Net cash generated from/(used in) operating activities	479,598	(157,586)	509,136

Financial Indicators

	Six months ended 30 June 2014	Six months ended 30 June 2013	Six months ended 30 June 2012
PROFITABILITY (%)			
Return on average total assets[3]	1.36*	1.35*	1.31*
Return on weighted average net assets[4]	23.04*	23.22*	23.26*
Net interest margin[5]	2.93*	2.74*	2.85*
Net interest spread[6]	2.77*	2.58*	2.71*
Return on risk-weighted assets[1, 7]	2.00*	2.15*	2.37*
Net fee and commission income to operating income	17.86	20.16	18.46
Cost-to-income ratio[8]	29.71	31.99	33.72
DATA PER SHARE (RMB Yuan)			
Basic earnings per share[4]	0.32	0.28	0.25
Net cash per share generated from/(used in) operating activities	1.48	(0.49)	1.57

	30 June 2014	31 December 2013	31 December 2012
ASSET QUALITY (%)			
Non-performing loan ratio[9]	1.24	1.22	1.33
Allowance to non-performing loans[10]	346.41	367.04	326.14
Allowance to total loans[11]	4.31	4.46	4.35
CAPITAL ADEQUACY (%)			
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	8.65	9.25	N/A
Tier 1 capital adequacy ratio[1]	8.65	9.25	N/A
Capital adequacy ratio[1]	11.89	11.86	12.61
Risk-weighted assets to total assets ratio[1]	65.11	62.25	54.48
Total equity to total assets ratio	5.67	5.80	5.67

	30 June 2014	31 December 2013	31 December 2012
Common Equity Tier 1 (CET 1) capital adequacy ratio[2]	9.97	9.25	N/A
Tier 1 capital adequacy ratio[2]	9.97	9.25	N/A
Capital adequacy ratio[2]	11.96	11.86	12.61
Risk-weighted assets to total assets ratio[2]	56.45	62.25	54.48
DATA PER SHARE (RMB Yuan)			
Net assets per share attributable to equity holders of the Bank	2.79	2.60	2.31

Notes:
1. *Figures as of 30 June 2014 and 31 December 2013 were calculated on the basis of the Capital Rules for Commercial Banks (Provisional) and the figures as of 31 December 2012 were calculated on the basis of the Rules on the Capital Adequacy of Commercial Banks. As at 30 June 2014, excess loan loss provisions calculated in accordance with the Capital Rules for Commercial Banks (Provisional) were qualified as Tier 2 capital. That is, during the parallel run period, while calculating the credit risk-weighted asset by the Internal Rating-Based (IRB) approach, the amount of excess loans loss provisions beyond the provision coverage ratio cap of 150% were all qualified as Tier 2 capital. Besides, with the requirement of capital floor adjustment coefficients as 95%, the difference between excess loan loss provisions qualified as Tier 2 capital calculated using the advanced capital measurement approach and those calculated using other approaches was multiplied by 9.52 and record in risk-weighted assets.*
2. *At 30 June 2014, in accordance with the requirement of Basel III, the excess loan loss provisions calculated using the comparable method of international banks were qualified as Tier 2 capital. That is, while calculating the credit risk-weighted asset by the IRB approach, the excess loan loss provisions were qualified as Tier 2 capital up to 0.6% of credit risk-weighted assets. Besides, with the requirement of capital floor adjustment coefficients as 95%, the difference between excess loan loss provisions qualified as Tier 2 capital calculated using the advanced capital measurement approach and those calculated using other approaches was multiplied by 9.52 and record in risk-weighted assets.*
3. *Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period.*
4. *Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (Revision in 2010) issued by the CSRC. The Bank has no potential diluted ordinary shares.*
5. *Calculated by dividing net interest income by the average balance of interest-earning assets.*
6. *Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.*
7. *Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBRC.*
8. *Calculated by dividing operating and administrative expenses by operating income under CASs.*
9. *Calculated by dividing balance of non-performing loans by total loans and advances to customers.*
10. *Calculated by dividing allowance for impairment losses on loans by balance of non-performing loans.*
11. *Calculated by dividing allowance for impairment losses on loans by total loans and advances to customers.*

* *Annualized figures.*

Other Financial Indicators

		Regulatory Standard	30 June 2014	31 December 2013	31 December 2012
Liquidity ratio[1] (%)	RMB	≥25	47.94	43.57	44.75
	Foreign Currency	≥25	109.12	114.95	161.78
Loan-to-deposit ratio[2] (%)	RMB and Foreign Currency	≤75	61.21	61.17	59.22
Percentage of loans to the largest single customer[3] (%)		≤10	3.47	3.33	3.59
Percentage of loans to top ten customers[4] (%)			12.46	13.22	15.76
Loan migration ratio[5] (%)	Normal		1.67	2.53	2.49
	Special mention		4.06	4.36	4.65
	Substandard		49.64	37.24	21.79
	Doubtful		6.92	8.62	4.96

Notes:
1. *Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBRC.*
2. *Calculated by dividing total loans and advances to customers by deposits from customers. The average daily loan-to-deposit ratio of the Bank in the first half of 2014 was 64.06%.*
3. *Calculated by dividing loans to the largest single customer by net capital.*
4. *Calculated by dividing loans to top ten customers by net capital.*
5. *Calculated in accordance with the relevant regulations of the CBRC by using domestic data.*

During the first half of 2014, to address the complicated and challenging economic and financial environment, we continued to focus on our development strategies, serving the real economy, deepening internal reforms and strengthening risk management. Our performance indicators strengthened and our development quality steadily improved. During the reporting period, we recorded a net profit of RMB104,067 million, representing an increase of 12.6% compared to the same period of the previous year. Annualized return on average total assets ("ROAA") and return on weighted average net assets ("ROAE") were 1.36% and 23.04%, respectively.

In China, slowing down of economic growth, acceleration of economic restructuring and deepening of financial disintermediation and financial marketization reform imposed additional requirements on commercial banks to facilitate "achieving steady growth, advancing reform, adjusting economic structure, benefiting livelihood of the people and controlling risks". In addition, we also confronted new challenges, including capital constraints, increased market competition, business transformation, risk control and financial innovation. In response to these significant internal and external changes, we will adhere to the principle of maintaining steady development through reforms and innovation, strict compliance with the macro-economic policies of the government and persisting with our strategy. We will adjust our operational strategies and continue to improve our development capability, quality and efficiency, with the aim of further developing the Bank into a first-class modern commercial bank.

Strengthen the corporate governance mechanism. As a listed joint stock company, we should comply with the principles of modern corporate governance as generally followed by commercial banks. Modern corporate governance involves many aspects, including system design and standardized operation, strategic management, internal control and risk management, incentive and constraint mechanisms, transparency management, IT governance and human resources management. By applying the principles of modern corporate governance effectively, we will strengthen our corporate governance structure, mechanism and systems. We will accelerate the modernization of corporate governance and reinforce the governance principles of the Bank for risk resisting capacity, higher returns and sustainable development.

Further improve services for the real economy. We will proactively satisfy the financial needs of the real economy, providing comprehensive services with funding, insights and information, enhance our pricing management of loans and regulate service charges, to improve the quality, efficiency, facilitate transformation and improvement in economic development and promote the sustainable and sound growth of our business. Firstly, we will increase financing to support the real economy and effectively utilize new loans and reallocate stock loans. We will satisfy the diversified financing needs of the real economy, in addition to improving our credit services, through the use of investment banking solutions, such as the issuance of bonds and wealth management financing. Secondly, we will further enhance our services in County Areas. Focusing on the financial needs arising from new urbanization, agricultural modernization and new rural business entities, we will accelerate innovation of products and business practices, further explore new service modes of County Area Banking Business, and expand the coverage of basic financial services to enhance our competitive strengths. Thirdly, we will increase support for key sectors and important aspects of the real economy. We will actively support the development of advanced manufacturing industries, modern service industries and strategic emerging industries, improve financial services to support coordinated regional development, transformation and upgrade of traditional industries and overseas expansion of enterprises, and enhance credit support to small and micro enterprises, shanty town transformation and key national construction projects. Fourthly, we will make efforts to provide services to encourage consumption and improve the livelihood of the people. We will accelerate developing our consumer finance business, innovate consumer credit products and promote the upgrade of the consumption structure. We will also proactively improve our financial services to improve the livelihood of the people and increase credit support for housing, medical care, education and pensions.

Comprehensively deepen reform and accelerate financial innovation. We will carry out reform and innovation in all sectors of and throughout our management, to boost operational vitality with continuous benefits arising from reforms, innovation and management of the Bank. We will further promote the projects "three major reforms and three major managements" and improve our market-oriented business operation systems, internal management systems, as well as incentive and constraint systems, to reinforce a solid foundation for the sustainable development of the Bank. By improving our creativity, we will accelerate strategy-oriented innovation of products, services and modes of business. We will rely on innovation to address new trends and challenges, such as Internet finance and liberalization of interest rates. We will further improve our quality of development and core competitiveness through continuing innovation in products and services, modes of business and management in strategic key areas including our County Area Banking Business, retail banking business, low-cost funding resources and Internet finance.

Strengthen the basic management principles and adhere to risk limitations. Because of the impact of increasing economic downturn pressure, accelerated economic restructuring and financial marketization reform, the banking industry faces more complicated and challenging risks which require objective judgment and calm reactions. Firstly, we will strengthen risk limitation planning. In order to control our risks proactively, we will enhance our analysis of foreseeable indicators, pre-set risk limitations, and prepare disposal policies in advance, to ensure we operate within the limitations of asset quality, safe operation and market reputation. Secondly, we will reinforce credit risk management. Credit assets will be dynamically reallocated in response to new economic trends and changes in the factors driving growth. Our risk management will also be strengthened to address the special credit risks arising from real estate loans, trade financing for bulk commodities, rollover financing as well as imported risks. Flexible measures will be adopted to address risks we have already encountered. Thirdly, we will insist on strict management of the Bank. We will enhance basic management, and the management of branches at all levels and staff behavior, implement stricter rule constraint and management accountability systems, and proactively cultivate a sound risk management culture.

Chairman JIANG Chaoliang
26 August 2014

In the first half of 2014, facing a complicated economic and financial environment, we continued to make progress through steady development in line with the government policies of achieving steady growth, advancing reform, adjusting economic structure, benefiting the people and controlling risks. We enhanced our financial services for the real economy, efficiently improved our operations and management, and focused on risk prevention and control. As such, our business operations achieved stable growth. At 30 June 2014, our total assets were RMB16.01 trillion, representing an increase of 9.9% as compared with the end of the previous year. Our net profit amounted to RMB104,067 million in the first half of the year, representing an increase of 12.6% as compared with the same period of the previous year. Our net interest margin was 2.93%, representing an increase of 19 basis points as compared with the same period of the previous year. The cost-to-income ratio was 29.71%, representing a decrease of 2.28 percentage points as compared with the same period of the previous year.

Continuous adjustment in credit structure. In line with the demands of the real economy, we increased our outstanding credit facilities, further adjusted and optimized our credit structure and improved the efficiency of our credit facilities. In the first half of the year, the amount of loans outstanding increased by RMB616,194 million, representing an increase of 8.5% as compared with the end of the previous year. Higher priority was given to County Areas in respect of new credit facilities, particularly to agricultural modernization, new urbanization construction and new rural business entities. We made active marketing efforts to national investment projects for stabilizing economic growth and extended new loans of RMB50,336 million and RMB23,697 million for a pool of key projects and railway construction, respectively. Loans for shanty town transformation amounted to RMB21,726 million. We also introduced an innovative factory service mode to improve specific services to small and micro enterprises. Loans to small and micro enterprises increased by RMB97,901 million. We experienced an increase in retail loans of RMB211,062 million as compared with the end of the previous year. We further terminated loans to customers involving potential risks and withdrew loans totalling RMB38,742 million from borrowers in certain sectors such as steel trading and vessel manufacturing.

Maintaining the advantage of our low cost of funds. Confronted with intensified competition in the liability business, we maintained our leading position in deposits in County Areas and retail deposits through enhanced customer services, innovative product sales channels and strengthened synergies between different businesses. We enhanced our capacity to select and obtain deposits and the management of deposit stability. In the first half of the year, our deposits increased by RMB998,093 million. This increase in our average daily deposits ranked first as compared with our peers. Our retail deposits increased by RMB457,869 million, which meant we maintained the leading position in the banking industry. Deposits in County Areas increased by RMB406,189 million. The average cost of deposits for the first half of the year was 1.81%, which remained the lowest as compared with our peers.

Enhancing the capacity of integrated services. We emphasized innovation for business development and strengthened synergies between RMB and foreign currency businesses, domestic and overseas businesses, as well as businesses of the Bank and its subsidiaries in response to accelerated financial marketization reform as well as diversified customer demands. In the first half of the year, we helped customers to finance directly RMB232,300 million through investment banking instruments, such as bond issues. The yields of non-restructuring-related debt securities investments and amounts due from banks and other financial institutions increased by 27 and 137 basis points as compared with the same period of the previous year, respectively, due to the rapid development of our financial markets business. Assets under our wealth management business amounted to almost RMB1 trillion with revenue growth of 24.8%. We expanded our international financial business, by actively establishing offshore RMB centers in locations such as ASEAN and London. Assets of overseas institutions exceeded USD80,000 million while net profit increased by 14.2% as compared with the same period of the previous year. We promoted Internet finance innovation and commenced the operation of the "Pan Yun" Internet finance platform. Our electronic transactions increased by 23.4% over the same period of the previous year. Revenue from our electronic banking business amounted to RMB3,855 million. Our assets under custody set a record high of over RMB4 trillion, among which, insurance assets under custody amounted to RMB1.85 trillion, continuing to rank first in the market. Subsidiaries specializing in funds, insurance, leasing and investment banking performed well in the first half attributable to better synergistic effects between the Bank and its subsidiaries.

Adhering to a strict approach to risk limitation. To cope with new changes in the risk environment, we further enhanced our comprehensive risk management system which covers extensive risks from domestic and overseas business sectors, on- and off-balance sheet businesses, businesses of the Bank and its subsidiaries, and credit, market and operational risks. Risk management tools were further strengthened and the application of advanced approaches to capital management were implemented. Instruments such as credit limits, ratings and measurement of economic capital were fully implemented to enhance our capacity for risk management and control. We carried out overall credit risk inspections and special management of non-performing loans newly issued and loans to industries with overcapacity. Emphasis was placed on the reduction of non-performing loans in key regions and industries through strengthened collections, write-offs and market-oriented disposals. We adopted a strict approach to credit approval and post-disbursement management as we further refined industry-specific policies, credit limits by industry and customer list-based management. In the first half of the year, the asset quality of the Bank remained stable.

Promoting the basic management principles. Focusing on the improvement of quality and efficiency, we further promoted reforms relating to human resources, operations, product research and development, optimized the organizational structure of our Head Office including establishing specialized operations and management systems for asset management and Internet finance, and reorganized the structure of our technology and product research and development departments. Integrated services in branch outlets improved steadily as we enhanced the corporate service capacity of branch outlets. Progress was made in our provincial "centralized back office operation, centralized authorization and centralized monitoring systems" while centralized operation of our retail business achieved preliminary success. The development of the fourth phase of our new core banking system and the related data clearing progressed smoothly. With effective management on safe operation and the launch of the "Safe ABC" campaign, we ensured our safe and stable operation.

In the second half of the year, by pursuing our strategies, we will change and will also take advantage of changes in economic and financial conditions. We will strengthen our operational philosophy of modern commercial banking, elaborately plan our overall business development and place more emphasis on serving the real economy, reform, innovation and risk control. We will improve our quality and efficiency in serving the real economy and enhance our competitive strengths to achieve our targets of development and reform for the year.

President ZHANG Yun
26 August 2014

Environment and Prospects

In the first half of 2014, the global economy continued to recover and major developed economies and emerging market economies were recovering at different rates. The US economy maintained a robust recovery. The impact of the European debt crisis gradually weakened with lower financing costs and exits from international bailout programs of indebted countries such as Ireland. The emerging market economies generally reflected slower growth rates. China reduced its economic growth rate in line with the implementation of its structural reform. The economic growth rates of Brazil and India continued to fall as they were affected by high inflation and deficits. The Russian economic growth slowed due to cyclical adjustment of bulk commodities and the geopolitical issues of Ukraine.

In the first half of 2014, China's economic growth slowed down but began to stabilize. Growth in investment further slowed down due to cyclical adjustment in the real estate market and the elimination of excess production capacity in the manufacturing industries. There was moderate growth in consumption as average household income levels continued to improve. Exports resumed growth after a drop due to artificially high base figures in the same period of the previous year and recovery of export demand. Progress was made in structural adjustment of the economy and there were continuing optimization of the industrial structure. In spite of the dampened growth in the industrial sector, the significance of the service sector to support and promote economic and social development increased. The economic demand structure improved due to rising domestic demand and consumption exceeded investment in terms of contribution to economic growth. Positive changes were seen in income distribution, as the proportion of household income to total income rose while the difference in income levels between urban and rural areas narrowed.

In the first half of 2014, the PRC government continued the implementation of prudent monetary policies and aggressive fiscal policies with relaxed liquidity in the overall money markets. While the broad money (M2) supply accelerated, the aggregate financing to the real economy marked a record high in the first half of the year as compared with the corresponding periods in previous years. Flexible regulatory policies were adopted and both regulation and development were achieved. On the one hand, regulation of speculative and innovative businesses and management of liquidity risks of banks were strengthened. Specific requirements for the term, scale and level of concentration of risks of interbank businesses were also established. On the other hand, financial institutions were encouraged to serve the real economy and coverage of the pilot scheme of interbank certificates of deposit was extended. Regulatory authorities implemented a targeted drop in the deposit reserve ratio and loosened the regulation on deposit-to-loan ratio.

Looking forward to the second half of the year, the global economic recovery and different rates of recovery will continue. Despite challenges such as continued lower growth rates in the industrial and manufacturing sectors, lower corporate profitability and rising pressure of financial risks, the domestic economic policy will continue to adhere to the principle of maintaining steady growth with the expected target GDP growth rate of approximately 7.5% for the year. As for monetary and regulatory policies, it is expected that the PBOC will continue to implement prudent monetary policies, with the use of various monetary tools. Stronger targeted adjustment and structural support will be carried out. Regulatory authorities will strengthen regulation on the implementation of Basel Accord III, support for County Areas and management of liquidity risks to deepen the reform of the banking industry. The banking industry will expedite its transformation and development and enhance its management in order to address internal and external changes and challenges.

Financial Statement Analysis

Income Statement Analysis

In the first half of 2014, we recorded a net profit of RMB104,067 million, representing an increase of RMB11,683 million, or 12.6%, over the corresponding period of the previous year. This was primarily due to the increase in net interest income and other non-interest income.

Changes of Key Income Statement Items

In millions of RMB, except for percentages

Item	Six months ended 30 June 2014	Six months ended 30 June 2013	Increase/ (decrease)	Growth rate (%)
Net interest income	209,438	180,002	29,436	16.4
Net fee and commission income	47,848	47,597	251	0.5
Other non-interest income	10,623	8,445	2,178	25.8
Operating income	**267,909**	**236,044**	**31,865**	**13.5**
Less: Operating expenses	103,386	94,071	9,315	9.9
Impairment losses on assets	28,939	22,471	6,468	28.8
Profit before tax	135,584	119,502	16,082	13.5
Less: Income tax expense	31,517	27,118	4,399	16.2
Net Profit	**104,067**	**92,384**	**11,683**	**12.6**
Attributable to:				
Equity holders of the Bank	104,032	92,352	11,680	12.6
Non-controlling interests	35	32	3	9.4

Net Interest Income

In the first half of 2014, net interest income was the largest component of our operating income, accounting for 78.2% of our operating income. Our net interest income was RMB209,438 million, representing an increase of RMB29,436 million compared to the corresponding period of the previous year. Expansion in volume caused an increase in net interest income by RMB16,735 million, and changes in interest rates resulted in an increase in net interest income by RMB12,701 million.

The table below sets out the average balance, interest income and expense and average yield and cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

	Six months ended 30 June 2014			Six months ended 30 June 2013		
Item	**Average balance**	**Interest income/ expense**	**Average yield/cost[7] (%)**	**Average balance**	**Interest income/ expense**	**Average yield/cost[7] (%)**
Assets						
Loans and advances to customers	7,556,699	227,126	6.01	6,724,979	200,517	6.01
Debt securities investments[1]	3,040,574	59,246	3.90	2,812,142	51,067	3.66
Non-restructuring-related debt securities	2,585,220	52,189	4.04	2,325,959	43,507	3.77
Restructuring-related debt securities[2]	455,354	7,057	3.10	486,183	7,560	3.14
Balances with central banks	2,474,564	19,524	1.58	2,348,721	18,409	1.58
Amounts due from banks and other financial institutions[3]	1,213,487	31,936	5.26	1,370,659	26,470	3.89
Total interest-earning assets	**14,285,324**	**337,832**	**4.73**	**13,256,501**	**296,463**	**4.51**
Allowance for impairment losses[4]	(332,204)			(290,379)		
Non-interest-earning assets[4]	822,972			669,062		
Total assets	14,776,092			13,635,184		
Liabilities						
Deposits from customers	11,796,548	106,491	1.81	10,962,985	95,322	1.75
Amounts due to banks and other financial institutions[5]	1,063,572	17,161	3.23	1,005,682	17,020	3.41
Other interest-bearing liabilities[6]	267,377	4,742	3.55	204,678	4,119	4.06
Total interest-bearing liabilities	**13,127,497**	**128,394**	**1.96**	**12,173,345**	**116,461**	**1.93**
Non-interest-bearing liabilities[4]	853,564			719,281		
Total liabilities	13,981,061			12,892,626		
Net interest income		**209,438**			**180,002**	
Net interest spread			**2.77**			**2.58**
Net interest margin			**2.93**			**2.74**

Notes:

1. *Debt securities investments include debt securities investments at fair value through profit or loss, available-for-sale debt securities investments, held-to-maturity debt securities investments and debt securities investments classified as receivables.*
2. *Restructuring-related debt securities include receivable from the MOF and special PRC government bonds.*
3. *Amounts due from banks and other financial institutions primarily include deposits with banks and other financial institutions, placement with and loans to banks and other financial institutions, and financial assets held under resale agreements.*
4. *The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the reporting period.*
5. *Amounts due to banks and other financial institutions primarily include deposits and placements from banks and other financial institutions, as well as financial assets sold under repurchase agreements.*
6. *Other interest-bearing liabilities primarily include the certificates of deposit issued, interbank certificates of deposit issued and bonds issued.*
7. *Annualized figures.*

The table below sets out the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

	Increase/(decrease) due to		Net increase/
	Volume	Interest Rate	(decrease)
Assets			
Loans and advances to customers	24,998	1,611	26,609
Debt securities investments	4,451	3,728	8,179
Balances with central banks	993	122	1,115
Amounts due from banks and other financial institutions	(4,136)	9,602	5,466
Changes in interest income	26,306	15,063	41,369
Liabilities			
Deposits from customers	7,525	3,644	11,169
Amounts due to banks and other financial institutions	934	(793)	141
Other interest-bearing liabilities	1,112	(489)	623
Changes in interest expense	9,571	2,362	11,933
Changes in net interest income	**16,735**	**12,701**	**29,436**

Note: Changes caused by the combination of volume and interest rate have been allocated to the changes due to volume.

Net Interest Margin and Net Interest Spread

In the first half of 2014, our net interest margin was 2.93% and net interest spread was 2.77%, both of which increased by 19 basis points compared to the corresponding period of the previous year. The increase in net interest margin and net interest spread was mainly because: (1) we recorded significant increase in the yield of investment and financing business by taking advantage of our stable capital resources and seizing the opportunity from the increase in market interest rate; (2) we continued to optimize asset structure with higher percentages of loans and investments and more efficient capital utilization; and (3) we further strengthened the pricing management of our liability business and the management of high-cost liabilities to strictly control interest costs.

Interest Income

We recorded interest income of RMB337,832 million in the first half of 2014, representing an increase of RMB41,369 million over the corresponding period of the previous year. The increase in interest income was primarily due to the increase in the average balances of interest-earning assets by RMB1,028,823 million and the increase of 22 basis points in the average yield of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB26,609 million, or 13.3%, over the corresponding period of the previous year to RMB227,126 million. The increase in interest income was primarily due to the increase of RMB831,720 million in the average balances.

The table below sets out the average balances, interest income and average yield of loans and advances to customers by product type.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Average balance	Interest income	Average yield[1] (%)	Average balance	Interest income	Average yield[1] (%)
Corporate loans	4,914,365	152,941	6.22	4,561,313	139,661	6.17
Short-term corporate loans	2,207,731	66,856	6.06	2,125,036	62,598	5.94
Medium- and long-term corporate loans	2,706,634	86,085	6.36	2,436,277	77,063	6.38
Discounted bills	80,137	2,673	6.67	125,359	3,286	5.29
Retail loans	2,205,644	66,410	6.02	1,818,541	54,027	5.99
Overseas and others	356,553	5,102	2.86	219,766	3,543	3.25
Total loans and advances to customers	**7,556,699**	**227,126**	**6.01**	**6,724,979**	**200,517**	**6.01**

Note: 1. Annualized figures.

Interest income from corporate loans increased by RMB13,280 million, or 9.5%, to RMB152,941 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of RMB353,052 million in the average balances in corporate loans and the increase of 5 basis points in the average yield. The increase in the average yield was primarily because we strengthened pricing management on loans and continued to optimize credit structure.

Interest income from discounted bills decreased by RMB613 million, or 18.7%, to RMB2,673 million compared to the corresponding period of the previous year. The decrease was primarily due to the decrease of RMB45,222 million in the average balances, partially offset by the increase of 138 basis points in the average yield. The increase in the average yield was primarily due to the increase in market interest rate of discounted bills.

Interest income from retail loans increased by RMB12,383 million, or 22.9%, to RMB66,410 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of RMB387,103 million in the average balances and the increase of 3 basis points in the average yield. The increase in the average yield was primarily because we strengthened pricing management on loans and the yield of newly-issued retail loans was increased.

Interest income from overseas and other loans increased by RMB1,559 million, or 44.0%, to RMB5,102 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of RMB136,787 million in the average balances, partially offset by the decrease of 39 basis points in the average yield. The increase in the average balances was mainly due to the rapid growth in loans issued by our overseas branches.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In the first half of 2014, interest income from debt securities investments increased by RMB8,179 million to RMB59,246 million as compared to the corresponding period of the previous year. The increase was primarily due to an increase of RMB228,432 million in the average balances and 24 basis points in the average yield. The increase in the average yield was primarily because we improved the overall yield of non-restructuring-related debt securities by seizing favorable investment opportunities.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB1,115 million to RMB19,524 million compared to the corresponding period of the previous year. The increase was mainly due to the increase of RMB125,843 million in the average balances.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB5,466 million to RMB31,936 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of 137 basis points in the average yield, partially offset by the decrease of RMB157,172 million in the average balances. The increase in the average yield was primarily due to our successful seizure of investment opportunities in different stages in the money markets to improve the yield of lending business.

Interest Expense

Interest expense increased by RMB11,933 million to RMB128,394 million compared to the corresponding period of the previous year. The increase was mainly due to the increase of RMB954,152 million in the average balances and the increase of 3 basis points in the average cost.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB11,169 million to RMB106,491 million compared to the corresponding period of the previous year. The increase was mainly due to the increase of RMB833,563 million in the average balances and the increase of 6 basis points in the average cost. The increase in the average cost was primarily because we moderately increase the interest rates for certain deposits in response to the accelerated liberalization of interest rates.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

Item	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Average balance	Interest expense	Average cost[1] (%)	Average balance	Interest expense	Average cost[1] (%)
Corporate deposits						
Time	1,712,334	28,379	3.31	1,682,898	25,248	3.03
Demand	2,885,929	10,218	0.71	2,622,176	8,956	0.69
Sub-Total	4,598,263	38,597	1.68	4,305,074	34,204	1.60
Retail deposits						
Time	3,716,348	61,694	3.32	3,400,638	55,040	3.26
Demand	3,481,937	6,200	0.36	3,257,273	6,078	0.38
Sub-Total	7,198,285	67,894	1.89	6,657,911	61,118	1.85
Total deposits from customers	**11,796,548**	**106,491**	**1.81**	**10,962,985**	**95,322**	**1.75**

Note: 1. Annualized figures.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB141 million to RMB17,161 million compared to the corresponding period of the previous year. The increase was primarily due to the increase of RMB57,890 million in the average balances, partially offset by the decrease of 18 basis points in the average cost. The decrease in the average cost was primarily because we strictly controlled the high-cost deposits from bank and other financial institutions, which effectively reduced the borrowing cost.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB623 million to RMB4,742 million compared to the corresponding period of the previous year, mainly due to the increase of RMB62,699 million in the average balances, partially offset by the decrease of 51 basis points in the average cost. The decrease in the average cost was mainly due to the redemption of the subordinated bonds and the issuance of overseas certificates of deposits and medium-term notes.

Net Fee and Commission Income

In the first half of 2014, we generated net fee and commission income of RMB47,848 million, representing an increase of RMB251 million, or 0.5%, compared to the corresponding period of the previous year. The proportion of net fee and commission income in our operating income was 17.86%, representing a decrease of 2.30 percentage points compared to the corresponding period of the previous year.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2014	Six months ended 30 June 2013	Increase/ (decrease)	Growth rate (%)
Agency commissions	13,237	12,502	735	5.9
Settlement and clearing fees	12,383	12,080	303	2.5
Bank card fees	9,261	7,462	1,799	24.1
Consultancy and advisory fees	7,876	10,046	(2,170)	-21.6
Electronic banking service fees	3,855	3,108	747	24.0
Custodian and other fiduciary service fees	2,077	2,404	(327)	-13.6
Credit commitment fees	1,637	1,484	153	10.3
Others	115	635	(520)	-81.9
Fee and commission income	**50,441**	**49,721**	**720**	**1.4**
Less: Fee and commission expenses	2,593	2,124	469	22.1
Net fee and commission income	**47,848**	**47,597**	**251**	**0.5**

Agency commissions increased by RMB735 million, or 5.9%, to RMB13,237 million compared to the corresponding period of the previous year. The increase was mainly due to the rapid increase in income from wealth management on behalf of customers.

Settlement and clearing fees increased by RMB303 million, or 2.5%, to RMB12,383 million compared to the corresponding period of the previous year. The increase was mainly due to the steady increase in fees from settlement, leveraging on our extensive service channels and customer base.

Bank card fees increased by RMB1,799 million, or 24.1%, to RMB9,261 million compared to the corresponding period of the previous year. The increase was mainly due to the rapid increase in income from bank card instalment arrangement and bank card consumption.

Consultancy and advisory fees decreased by RMB2,170 million, or 21.6%, to RMB7,876 million compared to the corresponding period of the previous year. The decrease was mainly due to the decrease in income from financial advisory and other investment banking services.

Electronic banking service fees increased by RMB747 million, or 24.0%, to RMB3,855 million compared to the corresponding period of the previous year. The increase was mainly due to the rapid increase in income from e-commerce banking, message notification services and Internet banking.

Custodian and other fiduciary service fees decreased by RMB327 million, or 13.6%, to RMB2,077 million compared to the corresponding period of the previous year. The decrease was mainly due to the decrease in income from custody business in relation to trading and specialty capital accounts.

Credit commitment fees increased by RMB153 million, or 10.3%, to RMB1,637 million compared to the corresponding period of the previous year. The increase was mainly due to the increase in fee income from overseas guarantees.

Other Non-interest Income

In the first half of 2014, other non-interest income amounted to RMB10,623 million, representing an increase of RMB2,178 million over the corresponding period of the previous year.

Net trading gain amounted to RMB2,798 million, representing an increase of RMB725 million over the corresponding period of the previous year. The increase was mainly due to the increased gain on bonds held for trading.

Net gain on financial instruments designated at fair value through profit or loss amounted to RMB533 million, representing an increase of RMB443 million compared to the corresponding period of the previous year. The increase was mainly due to the increase in net gain from principal guaranteed wealth management products.

Other operating income amounted to RMB7,267 million, representing an increase of RMB1,319 million over the corresponding period of the previous year. The increase was mainly due to the increase in income from insurance business of our subsidiary, ABC Life Insurance Co., Ltd.

Composition of Other Non-Interest Income

In millions of RMB

Item	Six months ended 30 June 2014	Six months ended 30 June 2013
Net trading gain	2,798	2,073
Net gain on financial instruments designated at fair value through profit or loss	533	90
Net gain on investment securities	25	334
Other operating income	7,267	5,948
Total	**10,623**	**8,445**

Operating Expenses

Our operating expenses amounted to RMB103,386 million, representing an increase of RMB9,315 million compared to the corresponding period of the previous year. Staff costs amounted to RMB52,650 million, business tax and surcharges amounted to RMB14,457 million, depreciation and amortization amounted to RMB9,334 million, insurance expenses amounted to RMB4,889 million, other expenses amounted to RMB4,811 million, representing an increase of RMB3,829 million, RMB800 million, RMB890 million, RMB843 million and RMB3,601 million, respectively, over the corresponding period of the previous year. General operating and administrative expenses amounted to RMB17,245 million, representing a decrease of RMB648 million over the corresponding period of the previous year. The cost-to-income ratio was 29.71%, representing a decrease of 2.28 percentage points compared to the corresponding period of the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	Six months ended 30 June 2014	Six months ended 30 June 2013	Increase/ (decrease)	Growth rate (%)
Staff costs	52,650	48,821	3,829	7.8
General operating and administrative expenses	17,245	17,893	(648)	-3.6
Business tax and surcharges	14,457	13,657	800	5.9
Depreciation and amortization	9,334	8,444	890	10.5
Insurance expenses	4,889	4,046	843	20.8
Others	4,811	1,210	3,601	297.6
Total	**103,386**	**94,071**	**9,315**	**9.9**

Impairment Losses on Assets

In the first half of 2014, impairment losses on assets increased by RMB6,468 million to RMB28,939 million compared to the corresponding period of the previous year.

We remained prudent and dynamic in making allowance for impairment losses on loans based on our comprehensive assessment of uncertainties in the economic environment. Impairment losses on loans increased by RMB4,874 million to RMB27,085 million compared to the corresponding period of the previous year, primarily because we accrued more allowance for impairment losses on loans on an individual basis compared to the corresponding period of the previous year.

Income Tax Expense

In the first half of 2014, our income tax expense amounted to RMB31,517 million. The effective tax rate was 23.25%, which was lower than the statutory tax rate of 25%. This was mainly because the interest income derived from the PRC treasury bonds and local government bonds held by the Bank was exempted from the enterprise income tax according to the tax laws.

Segment Information

We assessed our performance and determined the allocation of resources based on segment reports. The segment information was reported on the same basis as that of internal management and reporting. At present, we managed all segments from three perspectives, including business lines, geographical regions and the County Area Banking Business.

Our major business lines include corporate banking, retail banking, treasury operations and others. The table below sets out our operating income by business segment during the period indicated.

In millions of RMB, except for percentages

	Six months ended 30 June 2014		Six months ended 30 June 2013	
Item	**Amount**	**percentage (%)**	**Amount**	**percentage (%)**
Corporate banking business	145,752	54.4	129,776	55.0
Retail banking business	96,009	35.8	85,343	36.1
Treasury business	19,127	7.2	15,065	6.4
Other business	7,021	2.6	5,860	2.5
Total operating income	**267,909**	**100.0**	**236,044**	**100.0**

The table below sets out our operating income by geographic segment during the period indicated.

In millions of RMB, except for percentages

	Six months ended 30 June 2014		Six months ended 30 June 2013	
Item	**Amount**	**percentage (%)**	**Amount**	**percentage (%)**
Head Office	32,324	12.1	15,190	6.4
Yangtze River Delta	50,822	19.0	51,454	21.8
Pearl River Delta	35,638	13.3	30,958	13.1
Bohai Rim	40,819	15.2	38,596	16.4
Central China	34,797	13.0	32,520	13.8
Western China	55,643	20.8	51,870	21.9
Northeastern China	9,508	3.5	8,454	3.6
Overseas and others	8,358	3.1	7,002	3.0
Total operating income	**267,909**	**100.0**	**236,044**	**100.0**

The table below sets out operating income of the County Area Banking Business and Urban Area Banking Business during the period indicated.

In millions of RMB, except for percentages

	Six months ended 30 June 2014		Six months ended 30 June 2013	
Item	**Amount**	**percentage (%)**	**Amount**	**percentage (%)**
County Area Banking Business	98,647	36.8	94,885	40.2
Urban Area Banking Business	169,262	63.2	141,159	59.8
Total operating income	**267,909**	**100.0**	**236,044**	**100.0**

Balance Sheet Analysis

Assets

At 30 June 2014, our total assets amounted to RMB16,006,612 million, representing an increase of RMB1,444,510 million, or 9.9%, compared to the end of the previous year. Net loans and advances to customers increased by RMB600,732 million, or 8.7%. Net investment in securities and other financial assets increased by RMB191,473 million, or 5.9%. Cash and balances with central banks increased by RMB247,542 million, or 9.5%. Deposits and placements with and loans to banks and other financial institutions increased by RMB364,630 million, or 51.6%, mainly due to the increase in lending and improvement of our capital utilization efficiency. Financial assets held under resale agreements increased by RMB13,934 million, or 1.9%.

Key Items of Assets

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans and advances to customers	7,840,907	—	7,224,713	—
Less: Allowance for impairment losses on loans	337,653	—	322,191	—
Loans and advances to customers, net	7,503,254	46.9	6,902,522	47.4
Investment in securities and other financial assets, net	3,411,571	21.3	3,220,098	22.1
Cash and balances with central banks	2,851,344	17.8	2,603,802	17.9
Deposits and placements with and loans to banks and other financial institutions	1,070,963	6.7	706,333	4.8
Financial assets held under resale agreements	750,986	4.7	737,052	5.1
Others	418,494	2.6	392,295	2.7
Total assets	**16,006,612**	**100.0**	**14,562,102**	**100.0**

Loans and Advances to Customers

At 30 June 2014, our total loans and advances to customers amounted to RMB7,840,907 million, representing an increase of RMB616,194 million, or 8.5%, over the end of the previous year.

Distribution of Loans and Advances to Customers by Business Line

In millions of RMB, except for percentages

Item	30 June 2014 Amount	30 June 2014 Percentage (%)	31 December 2013 Amount	31 December 2013 Percentage (%)
Loans granted by domestic branches	7,418,190	94.6	6,914,985	95.7
Corporate loans	5,037,409	64.2	4,728,857	65.4
Discounted bills	76,414	1.0	92,823	1.3
Retail loans	2,304,367	29.4	2,093,305	29.0
Overseas and others	422,717	5.4	309,728	4.3
Total	**7,840,907**	**100.0**	**7,224,713**	**100.0**

Corporate loans amounted to RMB5,037,409 million, representing an increase of RMB308,552 million, or 6.5%, over the end of the previous year, mainly because we provided more credit support to major government projects, small and micro enterprises with high credit rating and new urbanization projects to proactively support the development of the real economy in line with the economic restructuring.

Retail loans amounted to RMB2,304,367 million, representing an increase of RMB211,062 million, or 10.1%, over the end of the previous year, primarily because we implemented the strategy of prioritizing the development of retail loan business through expanding the high-end customer base, steadily developing consumption loans and residential mortgage loans, and differentiating market segments for loans to private businesses.

Discounted bills amounted to RMB76,414 million, representing a decrease of RMB16,409 million, or 17.7%, over the end of the previous year, primarily because we appropriately adjusted the bills allocation in response to the changes in macro-economic, financial market and monetary policy environment.

Overseas and other loans amounted to RMB422,717 million, representing an increase of RMB112,989 million, or 36.5%, over the end of the previous year, primarily because we further strengthened the marketing synergies of domestic and overseas loan business, which resulted in the rapid growth of the credit business of our overseas branches.

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	30 June 2014 Amount	30 June 2014 Percentage (%)	31 December 2013 Amount	31 December 2013 Percentage (%)
Short-term corporate loans	2,251,559	44.7	2,141,372	45.3
Medium- and long-term corporate loans	2,785,850	55.3	2,587,485	54.7
Total	**5,037,409**	**100.0**	**4,728,857**	**100.0**

At 30 June 2014, our short-term corporate loans increased by RMB110,187 million, or 5.1%, over the end of the previous year. Medium- and long-term corporate loans increased by RMB198,365 million, or 7.7%, over the end of the previous year, with its proportion to the total corporate loans increased by 0.6 percentage points to 55.3%.

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,439,225	28.6	1,372,785	29.0
Production and supply of power, heat, gas and water	506,463	10.1	484,810	10.3
Real estate	589,550	11.7	533,141	11.3
Transportation, logistics and postal services	674,011	13.4	605,512	12.8
Wholesale and retail	555,026	11.0	522,078	11.0
Water, environment and public utilities management	201,858	4.0	204,834	4.3
Construction	218,883	4.3	199,892	4.2
Mining	228,711	4.5	213,579	4.5
Leasing and commercial services	351,648	7.0	328,364	7.0
Information transmission, software and IT services	20,041	0.4	24,583	0.5
Others	251,993	5.0	239,279	5.1
Total	**5,037,409**	**100.0**	**4,728,857**	**100.0**

Notes: Loans in the above table are based on the industries in which the borrowers operate. Real estate loans include loans for the development of real estate projects of enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans to enterprises in the real estate industry. Others mainly include agriculture, forestry, animal husbandry, fishery, education, hotels and catering industries.

At 30 June 2014, the five major industries of our corporate loans included: (1) manufacturing; (2) transportation, logistics and postal services; (3) real estate; (4) wholesale and retail; and (5) production and supply of power, heat, gas and water. Aggregate loans to the five major industries accounted for 74.8% of our total corporate loans, representing an increase of 0.4 percentage point over the end of the previous year. The industries with the largest increase in proportion to our total corporate loans were transportation, logistics and postal services and real estate, while manufacturing recorded the largest decrease in proportion to total corporate loans.

During the reporting period, leveraging on strategic opportunities brought by the economic restructuring of China, we continued to expand the coverage of our industry credit policies and strengthened the customer list-based management. The industry structure of our loan portfolio was further improved. We enhanced the support for infrastructure investment, advanced manufacturing industries and upgrade and transformation of traditional industries. We also supported industries in relation to consumption upgrade with priority and strategic emerging industries with prudence. Adhering to the principle of green credit, we supported the development of green, recycling and low-carbon economy. We strengthened the risk control on real estate industry, local government financing vehicles and Industries with high energy consumption, high pollution and overcapacity.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Residential mortgage loans	1,449,883	62.9	1,292,007	61.7
Personal consumption loans	203,560	8.9	202,808	9.7
Loans to private businesses	277,081	12.0	255,808	12.2
Credit card overdraft	210,446	9.1	194,330	9.3
Loans to rural households	162,120	7.0	146,853	7.0
Others	1,277	0.1	1,499	0.1
Total	**2,304,367**	**100.0**	**2,093,305**	**100.0**

At 30 June 2014, our residential mortgage loans increased by RMB157,876 million, or 12.2%, over the end of the previous year to RMB1,449,883 million, primarily because we prioritized the granting of loans to households purchasing their first common residential houses for their own use, through cooperation with real estate developers with high credit rating and second-hand housing agencies.

Personal consumption loans increased by RMB752 million, or 0.4%, over the end of the previous year to RMB203,560 million, primarily because we developed our consumption loan business steadily.

Loans to private businesses increased by RMB21,273 million, or 8.3%, over the end of the previous year to RMB277,081 million, primarily because loans provided to private businesses experienced steady growth as we innovated our service mode and improved services to owners of small and micro enterprises.

Credit card overdraft increased by RMB16,116 million, or 8.3%, over the end of the previous year to RMB210,446 million, primarily due to our great efforts in developing credit card instalment payment business as well as the continuous increase in the number of credit cards issued and credit card consumption.

Loans to rural households increased by RMB15,267 million, or 10.4%, over the end of the previous year to RMB162,120 million, mainly because we accelerated the business transformation of loans to rural households, optimized the customer base, product and collateral structure and increased the credit line for high-end customers on the agriculture industrial chain, which resulted in the increase in the loans to rural households.

Distribution of Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	135,318	1.7	115,137	1.6
Yangtze River Delta	1,887,387	24.1	1,780,275	24.7
Pearl River Delta	1,076,076	13.7	1,012,994	14.0
Bohai Rim	1,338,188	17.1	1,251,196	17.3
Central China	966,375	12.3	893,855	12.4
Northeastern China	300,346	3.8	277,263	3.8
Western China	1,714,500	21.9	1,584,265	21.9
Overseas and others	422,717	5.4	309,728	4.3
Total	**7,840,907**	**100.0**	**7,224,713**	**100.0**

During the reporting period, loans in Eastern China maintained steady growth, and the credit resources allocated to Central and Western China and Northeastern China were increased appropriately. We further improved the differentiated credit policy management among regions. We increased loans to national key regions, free trade zones and special economic areas along the border according to the policies and planning of economic development in key regions. In addition, we strengthened the marketing synergies between domestic and overseas loan businesses, resulting in an increase in the proportion of overseas loans.

Investments

At 30 June 2014, our net investment in securities and other financial assets increased by RMB191,473 million to RMB3,411,571 million over the end of the previous year.

Distribution of Investments by Type of Instruments

In millions of RMB, except for percentages

Item	30 June 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	2,672,164	78.3	2,533,100	78.7
Restructuring-related debt securities	455,354	13.3	455,354	14.1
Equity instruments	1,946	0.1	1,888	0.1
Others	282,107	8.3	229,756	7.1
Total	**3,411,571**	**100.0**	**3,220,098**	**100.0**

At 30 June 2014, non-restructuring-related debt securities investments increased by RMB139,064 million over the end of the previous year, primarily because yield on debt securities investments was high by historical standards, and we strengthened our research on the macro-economic conditions and appropriately increased our investment in debt securities and optimized the investment structure in line with market trends.

Distribution of Investments by Holding Purpose

In millions of RMB, except for percentages

Item	30 June 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss[1]	351,373	10.3	322,882	10.0
Available-for-sale financial assets	826,749	24.2	781,311	24.3
Held-to-maturity investments	1,636,625	48.0	1,523,815	47.3
Debt securities classified as receivables	596,824	17.5	592,090	18.4
Total	**3,411,571**	**100.0**	**3,220,098**	**100.0**

Note: 1. Including financial assets held for trading and financial assets designated at fair value through profit or loss.

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

Item	30 June 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	663,451	24.8	652,247	25.8
PBOC bills	25,967	1.0	36,563	1.4
Bonds issued by policy banks	1,311,302	49.1	1,237,664	48.9
Bonds issued by other banks and financial institutions	155,727	5.8	120,131	4.7
Bonds issued by entities in public sectors and quasi-governments	135,584	5.1	96,904	3.8
Corporate bonds	380,133	14.2	389,591	15.4
Total	**2,672,164**	**100.0**	**2,533,100**	**100.0**

In the first half of 2014, we further optimized the structure of our bond portfolio and increased the investments in bonds with better risk-return combination in response to the changing market conditions. The proportion of bonds issued by other banks and financial institutions increased by 1.1 percentage points, mainly due to the increase of investments in inter-bank certificates of deposits. The proportion of bonds issued by entities in public sectors and quasi-governments and corporate bonds increased slightly by 0.1 percentage point. The proportion of bonds issued by policy banks increased by 0.2 percentage point. The proportion of government bonds decreased by 1.0 percentage point, mainly due to the maturity of certain government bonds held by us. The proportion of PBOC bills decreased by 0.4 percentage point, mainly due to the decrease in issuance volume of PBOC bills and maturity of certain PBOC bills held by us.

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	1	—	1	—
Less than 3 months	169,993	6.4	119,402	4.7
3–12 months	340,907	12.7	398,339	15.7
1–5 years	1,370,808	51.3	1,242,866	49.1
More than 5 years	790,455	29.6	772,492	30.5
Total	**2,672,164**	**100.0**	**2,533,100**	**100.0**

In the first half of 2014, the maturity structure of our debt securities portfolio was generally balanced. We increased our investment in medium- and long-term debt securities products by capturing the market trends to obtain higher yield and meanwhile properly increased investment in short-term bonds to maintain the flexibility of the portfolio.

Distribution of Non-restructuring-related Debt Securities Investments by Currency

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	2,608,051	97.6	2,464,914	97.3
USD	53,857	2.0	56,108	2.2
Other foreign currencies	10,256	0.4	12,078	0.5
Total	**2,672,164**	**100.0**	**2,533,100**	**100.0**

Investment in Financial Bonds

Financial bonds refer to the securities issued by policy banks, commercial banks and other financial institutions that are to be repaid pursuant to a pre-determined schedule. At 30 June 2014, the balance of our financial bonds was RMB1,467,029 million, mainly including financial bonds issued by policy banks.

The table below sets out the top ten financial bonds held by the Bank in terms of face value at 30 June 2014.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2014 policy bank bonds	14,480	5.44%	2019-04-08	—
2014 policy bank bonds	13,640	5.61%	2021-04-08	—
2014 policy bank bonds	12,090	5.67%	2024-04-08	—
2013 policy bank bonds	11,200	3.98%	2016-07-18	—
2014 policy bank bonds	10,350	5.75%	2019-01-14	—
2013 policy bank bonds	10,140	3.89%	2016-01-10	—
2013 policy bank bonds	10,000	5.87%	2017-08-12	—
2012 policy bank bonds	10,000	3.94%	2014-12-28	—
2013 policy bank bonds	10,000	5.85%	2016-02-10	—
2011 policy bank bonds	10,000	3.73%	2017-12-23	—

Note: 1. Allowance in this table refers to individually assessed allowance, not including collectively assessed allowance.

Liabilities

At 30 June 2014, our total liabilities increased by RMB1,381,310 million, or 10.1%, over the end of the previous year to RMB15,098,875 million. Deposits from customers increased by RMB998,093 million, or 8.5%, while deposits and placements from banks and other financial institutions increased by RMB240,123 million, or 26.6%, mainly because we encouraged the development of deposits from banks for settlement. Financial assets sold under repurchase agreements increased by RMB97,135 million, or 362.6%, mainly due to the increase in bonds sold under repurchase agreements. Bonds issued decreased by RMB4,348 million, or 2.8%, mainly due to the redemption of certain subordinated bonds.

Key Items of Liabilities

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	12,809,504	84.8	11,811,411	86.1
Deposits and placements from banks and other financial institutions	1,143,840	7.6	903,717	6.6
Financial assets sold under repurchase agreements	123,922	0.8	26,787	0.2
Bonds issued	151,952	1.0	156,300	1.1
Other liabilities	869,657	5.8	819,350	6.0
Total	**15,098,875**	**100.0**	**13,717,565**	**100.0**

Deposits from Customers

At 30 June 2014, deposits from customers increased by RMB998,093 million, or 8.5%, over the end of the previous year to RMB12,809,504 million. In terms of customer structure, corporate deposits increased by RMB264,968 million, or 6.1%, over the end of the previous year, and retail deposits increased by RMB457,869 million, or 6.6%, over the end of the previous year. In terms of maturity of deposits, the proportion of demand deposits decreased by 2.9 percentage points compared to the end of the previous year to 51.7%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	12,724,921	99.3	11,746,042	99.4
Corporate deposits	4,576,375	35.7	4,311,407	36.5
Time	1,508,349	11.8	1,301,010	11.0
Demand	3,068,026	23.9	3,010,397	25.5
Retail deposits	7,381,516	57.6	6,923,647	58.6
Time	3,824,332	29.8	3,486,252	29.5
Demand	3,557,184	27.8	3,437,395	29.1
Other deposits[1]	767,030	6.0	510,988	4.3
Overseas and others	84,583	0.7	65,369	0.6
Total	**12,809,504**	**100.0**	**11,811,411**	**100.0**

Note: 1. Including margin deposits, remittance payables and outward remittance and other deposits.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	62,362	0.5	50,851	0.4
Yangtze River Delta	2,867,214	22.4	2,653,839	22.5
Pearl River Delta	1,742,592	13.6	1,596,288	13.5
Bohai Rim	2,318,795	18.1	2,118,519	17.9
Central China	2,121,303	16.6	1,956,615	16.6
Northeastern China	662,811	5.2	613,571	5.2
Western China	2,949,844	23.0	2,756,359	23.3
Overseas and others	84,583	0.6	65,369	0.6
Total	**12,809,504**	**100.0**	**11,811,411**	**100.0**

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	30 June 2014		31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	7,247,652	56.6	6,993,059	59.2
Less than 3 months	1,614,052	12.6	1,576,831	13.3
3–12 months	2,749,297	21.5	2,159,729	18.3
1–5 years	1,198,323	9.3	1,081,790	9.2
More than 5 years	180	0.0	2	0.0
Total	**12,809,504**	**100.0**	**11,811,411**	**100.0**

Shareholders' Equity

At 30 June 2014, our shareholders' equity amounted to RMB907,737 million, representing an increase of 7.5% over the end of the previous year. Net assets per share were RMB2.79, representing an increase of RMB0.19 over the end of the previous year.

The table below sets out the composition of shareholders' equity as of the dates indicated.

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Share capital	324,794	35.8	324,794	38.4
Capital reserve	98,773	10.9	98,773	11.7
Investment revaluation reserve	(6,335)	(0.7)	(22,772)	(2.7)
Surplus reserve	60,689	6.7	60,632	7.2
General reserve	156,673	17.2	139,204	16.5
Retained earnings	272,499	30.0	243,482	28.8
Foreign currency translation reserve	(877)	(0.1)	(1,005)	(0.1)
Equity attributable to equity holders of the Bank	906,216	99.8	843,108	99.8
Non-controlling interests	1,521	0.2	1,429	0.2
Total equity	**907,737**	**100.0**	**844,537**	**100.0**

Off-balance sheet Items

Our off-balance sheet items primarily comprise derivative financial instruments, contingent liabilities and commitments. We enter into derivative financial instruments relating to exchange rates, interest rates and precious metals for the purposes of trading, asset and liability management and business on behalf of customers. Our contingent liabilities and commitments include credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwritings and redemption commitments, mortgaged and pledged assets and legal proceedings. Credit commitments were a major component of the off-balance sheet items and comprise loan commitments, bank acceptances, letters of guarantee issued and guarantees, letters of credit issued and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	30 June 2014 Amount	30 June 2014 Percentage (%)	31 December 2013 Amount	31 December 2013 Percentage (%)
Loan commitments	459,686	27.4	470,269	31.7
Bank acceptances	462,576	27.6	404,852	27.4
Letters of guarantee issued and guarantees	247,693	14.8	191,073	12.9
Letters of credit issued	268,943	16.1	196,069	13.2
Credit card commitments	236,111	14.1	219,682	14.8
Total	**1,675,009**	**100.0**	**1,481,945**	**100.0**

Other Financial Information

Changes in Accounting Policies

There was no significant change in accounting policies during the reporting period.

Differences between the financial statements prepared under IFRSs and those prepared under CASs

There were no differences between the net profit and shareholders' equity in the consolidated financial statements prepared under IFRSs and those prepared under CASs by the Bank.

Equity Investment in Other Companies

Equity Interests Held by the Bank in Other Listed Companies and Financial Enterprises[1]

Name of investee company	Investment cost (RMB Yuan)	Number of shares held at the beginning of the period (10,000 shares)	Shareholding percentage at the beginning of the period (%)	Number of shares held at the end of the period (10,000 shares)	Shareholding percentage at the end of the period (%)	Book value at the end of the period (RMB Yuan)	Gain/loss during the reporting period[2] (RMB Yuan)	Change in shareholders' equity during the reporting period (RMB Yuan)	Accounting item	Source of shares
China UnionPay Co., Ltd.	146,250,000	11,250	3.84	11,250	3.84	146,250,000	—	—	Available-for-sale financial assets	Investment of self-owned capital
Shenzhen Finance Electronic Settlement Centre	20,757,641	—	—	—	16.69	20,757,641	—	—	Available-for-sale financial assets	Investment of self-owned capital
OTC Cleaning Hong Kong Limited	16,668,750	0.01	2.08	0.01	2.08	16,668,750	—	—	Available-for-sale financial assets	Investment of self-owned capital
Shaanxi Coal and Chemical Industry Group Finance Co., Ltd.	100,290,007	—	10.00	—	10.00	102,236,368	—	—	Financial assets at fair value through profit or loss	Investment of self-owned capital
Sichuan Yibin Wuliangye Group Finance Co., Ltd	390,000,000	—	—	—	19.50	389,754,356	—	—	Available-for-sale financial assets	Investment of self-owned capital

Notes:

1. *The equity interests in other listed companies and financial enterprises specified above with our shareholding exceeding 1% at the end of the period are recognized as financial assets at fair value through profit or loss and available-for-sale financial assets.*
2. *Mainly including investment gains.*

Business Review

Corporate Banking

In the first half of 2014, the Bank continuously deepened the transformation of corporate banking business and improved its services. To strengthen its customer base, the Bank improved and expanded the three-level core customer list and refined the small and micro enterprise customer list. To proactively support the development of the real economy, the Bank extended more credit to key customers and key projects, and supported new urbanisation projects and international expansion of enterprises actively. The Bank improved the operation management structure and operation mechanism for small and micro enterprises and enhanced the services for small and micro enterprises at our outlets. The Bank established a comprehensive and diversified marketing system, promoted targeted marketing and pushed forward synergistic marketing so as to take advantage of its full scale and integrated services. To accelerate the development of its investment banking segment, the Bank focused on developing high-ended investment banking businesses including bond underwriting, loans for M&A and asset securitization so as to enhance its integrated services. Development of new key businesses was also accelerated, and the Bank expanded the coverage of key products such as supply chain financing, custody service and cash management.

At 30 June 2014, we had 3.38 million corporate banking customers, of which 77.5 thousand customers had outstanding loan balances.

Corporate Loans and Deposits

In the first half of 2014, the Bank put more efforts in the marketing of corporate deposits. Corporate deposits realised steady growth. At 30 June 2014, the balance of our domestic corporate deposits reached RMB4,576,375 million, representing an increase of RMB264,968 million or 6.1% over the end of the previous year.

During the reporting period, according to the national industrial policy, the Bank further improved and optimized its credit structure by focusing on supporting infrastructures construction projects, including railway, energy, hydraulic engineering and hydropower engineering, and providing more credit support to shanty town transformation projects and urban infrastructure construction projects. At 30 June 2014, the balance of our domestic corporate loans and discounted bills amounted to RMB5,113,823 million, representing an increase of RMB292,143 million or 6.1% over the end of the previous year.

During the reporting period, we strictly followed the national macro-control policies on the real estate industry, refined the structure of real estate loans and prevented risks related to real estate loans. At 30 June 2014, the balance of loans to corporate customers in the real estate industry amounted to RMB432,219 million, representing an increase of RMB37,255 million over the end of the previous year. Non-performing loan ratio amounted to 0.33%, representing a decrease of 0.21 percentage point over the end of the previous year. Real estate loans newly issued to corporate customers were mainly extended for development projects of residential properties. In the first half of 2014, the real estate loans for development of residential properties accounted for 95.7% of the newly issued real estate loans to corporate customers.

Small and Micro Enterprise Banking Business

During the reporting period, the Bank actively put efforts in exploring an effective business model for providing services to small and micro enterprises by large commercial banks. We established an independent Small and Micro Enterprises Banking Department in the headquarters, established a professional team of talents to improve the services by outlets provided to small and micro enterprise. The Bank formulated a separate credit plan for small and micro enterprises with specific funding allocation to reinforce the safeguards for their sources. The Bank expanded the coverage of "credit factory" pilot program and developed innovative operation model of "marketing in batches, credit granting in batches and credit approval in batches", so as to provide collective small and micro enterprises with services in batches, enhance the efficiency of financial services and overcome the difficulty for small and micro enterprises in financing. The Bank strictly complied with the requirements of "seven issues forbidden and four issues to be published" promulgated by the regulatory authorities and reduced or cancelled 19 items of services charge of SMEs financing to alleviate the high cost of small and micro enterprises in financing. The Bank optimized featured products such as "easy loans" and promoted internet financial products such as online application for loans. The Bank strengthened post-disbursement management for small and micro enterprises by risk monitor and inspection to further strengthen the control and management of risk.

As of 30 June 2014, loans to small and micro enterprises amounted to RMB911,202 million, representing an increase of RMB97,901 million or 12.0% as compared with the end of the previous year. The growth rate was higher than that of the total loan of the whole Bank by 3.5 percentage points and satisfied the regulatory requirements of "Two Minimum Thresholds".

Institutional Banking

As of 30 June 2014, we offered third-party depositary services to 99 securities firms for their transaction settlement funds, and the number of our contracted customers reached 14,337.0 thousand. The average daily balance of funds deposited amounted to RMB64,515 million. A total of 148 futures brokerage companies used our Bank-Futures Account System and 155 futures brokerage companies established cooperation relationships with us, with outstanding margin deposits amounting to RMB32,942 million. We established comprehensive cooperation relationships with financial institutions including financial leasing companies, asset management companies and motor financial companies, and the balance of loans to banks and other financial institutions reached RMB175,350 million.

The Bank further strengthened the integrated financial services in the financial, social and cultural aspects and increased the credit support to schools, hospitals and water conservancy construction. As a result, business including fiscal agency service, corporate cards, campus cards, medical cards, social security cards, co-brand cards for housing funds, agency services related to the centralized payment of social insurance and provident funds recorded rapid growth.

The Bank maintained its leading position in the bancassurance market and collected new insurance premiums of RMB86,392 million and recorded a total income of RMB2,857 million from bancassurance in the first half of 2014. Our market share ranked first among the five major commercial banks in China in terms of revenue.

Settlement and Cash Management

Payment and Settlement

By upgrading the quality and enlarging the scale of accounts, the Bank improved the service of settlement account and introduced key products including settlement card, settlement package service and settlement agency products. As of 30 June 2014, we had 4.1295 million RMB-denominated corporate settlement accounts, representing an increase of 3.6% over the end of the previous year. RMB-denominated corporate settlement transaction volume amounted to RMB244.32 trillion, representing an increase of 40.7% compared to the same period of the previous year.

Cash Management

In order to strengthen the marketing for cash management customers, the Bank developed and introduced innovative products such as bill pool and escrow service to enrich the cash management product portfolio. Procedures of cash management business and customer service system were optimised to satisfy the diversified needs of customers. In addition, the Bank expanded the base of international corporate customers and enhanced the customer service level of its global cash management. Cooperation with foreign-invested banks in respect of cash management business was consolidated to achieve a win-win situation. The competitiveness of "Xing Yun", the cash management brand of the Bank, has been increasing. As of 30 June 2014, the Bank had 315.8 thousand cash management customers, representing an increase of 24.3% compared to the end of the previous year. Total transaction volume of cash management reached RMB81.01 trillion, representing an increase of 15.1% compared to the same period of previous year.

Trade Financing and International Settlement

In the first half of 2014, the Bank refined the trade financing service system through innovation of systems, mechanisms and products. The Bank actively broadened the scope of its business cooperation and continuously promoted products including foreign guarantees, domestic letters of credit and receivables pool financing to enhance the market competitiveness of the international settlement, exchange settlement and trade financing businesses. Capturing the opportunities brought by the internationalization of Renminbi, the Bank accelerated the development of cross-border Renminbi business in key regions and actively broaden the scope of new cross-border Renminbi products. The influence of offshore Renminbi market continued to increase. In the first half of 2014, the total volume of international trade financing conducted by our domestic branches amounted to USD52,363 million and the total volume of international settlement conducted by our domestic branches amounted to USD474,466 million, representing an increase of 22.1% compared to the same period of the previous year. Our domestic branches issued an aggregate of USD20,537 million of letters of guarantee. Cross-border RMB-denominated settlement conducted by our domestic branches totalled RMB564,546 million.

Investment Banking

In the first half of 2014, the Bank further regulated the operation of investment banking business and focused on the development of high-ended investment banking businesses, including bond underwriting, syndicated loans and asset securitization to enhance the services for real economy in line with the changes in regulatory policies and demands in the market.

During the reporting period, we underwrote 130 debt instruments with an aggregate value of RMB144,720 million. Among them, 77 were short-term commercial papers with an aggregate amount of RMB93,535 million and 53 were medium-term notes with an aggregate amount of RMB51,185 million. The Bank successfully issued the first batch of ABC credit-asset-based securities for 2014, which was the first credit asset securitization product in the inter-banking market of the Bank, with a total volume of RMB2,122 million. We also acted as a lead manager and participated in major syndicated projects to support the implementation of key projects. In addition, we provided financial services including listing advisory, M&A and restructuring advisory and M&A loan to support the business development of customers through listings and M&As.

In the election of the Excellent Investment Banks of China 2014 organised by the Securities Times, the Bank was honoured with the highest award of the "the Best Investment Bank" and other awards including "the Best Syndicated Financing Bank", "the Best Short-term Commercial Papers Project" and "the Best Syndicated Financing Project for the Year".

Custody Service

As of 30 June 2014, we had RMB4,296,411 million of assets under custody, representing an increase of 19.8% over the end of the previous year. Among them, insurance assets under custody amounted to RMB1,846,569 million, representing an increase of 8.2% over the end of the previous year, ranking first in the banking industry in China. In the first half of 2014, our custody and other fiduciary service fees amounted to RMB2,077 million.

Pension Business

In the first half of 2014, we won the bids for a number of annuities and funds custody projects of several well-known enterprises, actively promoted integrated schemes for corporate annuities and steadily expanded our custody business for the new rural pension insurance fund program and various social security funds to facilitate the diversified development of pension business. As of 30 June 2014, pension funds under our custody reached RMB246,043 million, representing an increase of 18.2% over the end of the previous year.

Retail Banking

In the first half of 2014, we continued the strategic reform of retail banking business, conducted "Year of Transformation, Solidification and Promotion" activities, to consolidate the results of outlets transformation. We promoted the cross-selling activities between corporate and retail banking and successfully organized the first "Golden Key Customer Festival" activity. The customer relationship of retail banking was further refined, standardized and intelligentized, so as to deeply explore the value of customers and to improve the experience of customers. As of the end of June 2014, we had 450 million retail customers, including more than 20 million VIP retail customers.

Retail Loans

In the first half of 2014, we further improved the structure and functions of our retail loan system, put more efforts in product innovation and realised a steady development of retail banking business. We strictly complied with the macro-regulatory measures for the real estate market and adopted different housing finance policies by giving priority to first-time home buyers of self-occupied general commodity houses. For the customer demand in large scale professional markets, we adopted differentiated credit policy and innovated service models to enhance the credit capacity for small and micro enterprises. In response to the policy of the State Council to promote consumption finance and consumer expenses, we continued to introduce products and improved our system to satisfy the need of resident consumption and credit. As of 30 June 2014, the balance of our retail loans in domestic branches was RMB2,304,367 million, representing an increase of RMB211,062 million, or 10.1%, over the end of the previous year.

Retail Deposits

We adjusted the development of our liability business in response to changes in economic conditions by strengthening active liability management and focusing on the expansion of the deposit markets at county level. Our retail deposits recorded steady growth. As of 30 June 2014, the balance of our retail deposits in domestic branches amounted to RMB7,381,516 million, representing an increase of RMB457,869 million over the end of the previous year.

Bank Cards

As of 30 June 2014, 676 million debit cards were in issue by the Bank, representing an increase of 39 million over the end of the previous year, and ranked first among the five major commercial banks. The number of debit IC cards in issue was 209 million, representing an increase of 72 million over the end of the previous year. We strengthened the marketing and promotion of debit IC cards by launching marketing activities such as "Using Cards to Welcome Chinese New Year" and "Experience the Wonderful Life with 'Chips'", to improve customer involvement. We introduced customized services such as card replacement without number change and selection of card number by new card applicants, to meet the increasing need of customized services from high-end customers.

The total number of our credit cards was 48.81 million and the total transaction volume was RMB466,100 million. We have launched a "360-degree Comprehensive Service Upgrade" program to reorganize the key products, special services and promotions of credit cards. Featured products and value-added services were introduced for specific customer groups, such as business travelers and females. We accelerated the research and development of innovative products such as virtual cards and mobile payment and promoted the use of WeChat, SMS and other applications to attract high-quality customers and young customers. We cooperated with major brands to build up our urban merchant circle so as to improve the environment of using cards online and offline, local and overseas. We also cooperated with international card companies, such as VISA, in respect of product promotion and marketing. For example, we launched mobile POS products for small and micro merchants and the "Happy Saturdays, Win the World Cup" activity.

Item	30 June 2014	30 June 2013	Growth Rate (%)
Number of debit cards issued (unit: 10,000)	67,552.92	58,873.21	14.74
Number of credit cards issued (unit: 10,000)	4,394.43	3,664.30	19.93
Item	**Six months ended 30 June 2014**	**Six months ended 30 June 2013**	**Growth Rate (%)**
Transaction volume for debit cards (RMB100 million)	32,179.08	24,567.14	30.98
Transaction volume for credit cards (RMB100 million)	4,625.46	3,586.27	28.98

Agency Distribution of Fund Products

We strengthened our strategic cooperation with fund management companies and put more efforts in the development of innovative products and IT systems. Our distribution business of fund products achieved a healthy and steady growth. In the first half of 2014, we distributed fund products of RMB163,574 million, representing an increase of RMB52,824 million, or 47.7%, over the same period of the previous year. Among those, we acted as an agent for the issuance of 22 funds under our custody, representing an increase of 8 compared to the same period of the previous year.

Agency Sales of PRC Government Bonds

During the reporting period, we issued 6 batches of saving treasury bonds as an agent, including 2 batches of saving treasury bonds (in certificate form) with actual sales of RMB9,022 million and 4 batches of saving treasury bonds (in electronic form) with actual sales of RMB9,464 million.

Private Banking Business

As of 30 June 2014, we established private banking departments in 23 branches. The number of customers of our private banking business was 52,200 and the assets under our custody amounted to approximately RMB587,800 million.

During the reporting period, we provided comprehensive, tailor-made and confidential wealth management and value-added services for high-net-worth retail customers and further enhanced the professional service capability of our private banking business. We strengthened the integrated financial services for shareholders of listed companies, cross-border financial services, financing services, information services and legal and tax consultation services. We also launched new businesses such as family trust and high-end insurance to further strengthen our capability of advisory services. We accelerated innovation process for private banking products, which further expanded our product portfolio and enriched our product offering. In order to enhance the breadth and depth of our value-added services, we further improved five value-added services, including "butler services" in respect of travelling, healthcare, luxury living, leisure activities and social networking.

Treasury Operations

Money Market Activities

In the first half of 2014, under the continuous prudent monetary policies of the PBOC, the overall money supply increased moderately through repurchases in open markets, and the structural supports to entities, such as small and minority enterprises and Sannong, were further strengthened by reducing deposit reserve ratio and re-lending. The effect of pre-tuning and fine-tuning were enhanced significantly, the mid-point of interest rates in monetary market decreased gradually and the fluctuation of funds was obviously reduced. Market estimation of its liquidity was also improved significantly. In addition to strengthening its study on monetary policies and funds in the market, the Bank has improved the efficiency of the analysis, forecast and management of funds in each aspect, so as to ensure the stability of its liquidity, leveraged on its advantages in lending business as a major bank and increased monetary and assets investment returns. In the first half of 2014, our RMB-denominated financing transaction volume amounted to RMB5,022,121 million, including lending of RMB4,376,628 million and borrowing of RMB645,493 million.

We continued to adopt a prudent strategy for foreign currency financing business, closely monitored changes in monetary policies of major developed economies and adjusted our investment strategies in response to the changes in a timely manner. We also moderately exerted more efforts in lending to Chinese-funded overseas credit parties.

Investment and Trading Activities

At 30 June 2014, our net investment securities and other financial assets amounted to RMB3,411,571 million, representing an increase of RMB191,473 million compared to the end of the previous year.

Trading Activities

In the first half of 2014, we closely monitored the changes in the bond market and flexibly adjusted our strategy of portfolio management, so as to achieve higher returns. According to China Foreign Exchange Trading System, our Bank ranked top in the inter-banks bond market in the first half of 2014 in terms of market-making.

Banking Book Activities

In the first half of 2014, the yield of the RMB-denominated bond market decreased in general. We enhanced study and judgment of the prospects and trend of interest rates in the bond market and increased our investments when the yield of the bond market was higher. We also effectively increased the yield of investment portfolio by refining our investment portfolio through two-way dynamic operation.

In the first half of 2014, we adhered to prudent foreign currency investment strategies to cope with the changing and complicated international financial market environment. Subject to appropriate risk control, we continuously refined our investment portfolio and structure and achieved higher investment returns from investment. As of 30 June 2014, our foreign bonds investment for our own account amounted to RMB64,113 million.

Treasury Transactions on behalf of Customers

We continued to optimize the structure for settlement and sale of exchanges and encouraged the development of our foreign currency trading business. We enhanced our efforts in product innovation and continued to strengthen our risk control on treasury transactions on behalf of customers. During the reporting period, we were approved to become one of the first batch of market makers of Renminbi trading against the English pounds and introduced Rubles-denominated transactions on behalf of customer in certain branches. In the first half of 2014, the transaction volume of our Renminbi exchange settlement on behalf of customers reached USD199,074 million, and that of foreign exchange trading on behalf of customers amounted to USD33,126 million.

Wealth Management

Retail Wealth Management

In order to satisfy increasing demand for wealth management of retail investors, we exerted more efforts in the design of wealth management products and innovations in sales models to continuously develop our retail wealth management business. As of 30 June 2014, the balance of our retail wealth management products amounted to RMB666,918 million and our market share further increased.

We continued to deepen our customer-oriented operation concept and improved our customer services and efficiency through professional and differentiated management. We continuously refined our product structure to cater the needs of customers and enriched the variety of our wealth management products with competitive edges, including "An Xin" series products, "Ben Li Feng" and "Hui Li Feng". We also encouraged the innovation and development of personalized products provided to mid-to high-end customers and put a great effort in research and development of wealth management products of a net value kind, such as wealth management products based on yield classification and bank wealth management plans, so as to satisfy different wealth management needs of our customers.

Our wealth management products received honors such as "Golden Bull Wealth Management Products Award for 2013 (Guaranteed Profit, Net Value)" awarded by China Securities Journal, "The Best Bank Wealth Management Products for 2013" and "Outstanding Wealth Management Brand for 2013" awarded by Shanghai Securities News. The Bank was rewarded "The Best Steady Income-Based Wealth Management Product for 2014" for "An Xin De Li", "The Best Structural Wealth Management Product for 2014" for its aggressive series products and "The Best Innovative Wealth Management Product for 2014" for "An Xin De Li- Ru Yi Equity Index Derivatives" by Shenzhen Secutimes.

Corporate Wealth Management

As of 30 June 2014, the balance of our corporate wealth management products amounted to RMB300,528 million. Our "An Xin Kuai Xian" open series products, "Ben Li Feng" corporate series products, "An Xin De Li" corporate series products, "Hui Li Feng" corporate series products and "Kai Yang" equity series products gained positive feedback from customers for their stable yields and flexible maturities. The number of contracted customers for wealth management steadily increased.

Management and business operation of off-balance sheet wealth management products

As of 30 June 2014, the off-balance sheet wealth management products has an aggregate amount of RMB416,587 million. In the first half of 2014, all of our issued and redeemed off-balance sheet wealth management products achieved the expected yield. Currently, off-balance sheet management products which have not yet matured are performing normally.

Precious Metal Business

In the first half of 2014, affected by factors that may lead to the increases of interest rate of USD such as the increasing tension of geopolitical position and the US economic recovery, the price of international precious metal increased dramatically and there was a significant decrease in the domestic demand of physical precious metal. As the major precious metal market making bank in the PRC, the Bank provided sufficient liquidity of precious metal market and fulfilled the demand of customers for precious metal trading, investment and hedging through leasing gold, trading of precious metal derivative to customers and trading physical gold in the Shanghai Gold Exchange, the Shanghai Futures Exchange and the London precious metals market. In the first half of 2014, we traded 308.72 tons of gold and 5,701.47 tons of silver for our own account and on behalf of customers. In addition, we steadily carried out precious metal leasing and hedging businesses and the balance of the precious metal leasing business and the hedging business increased by 45.7%, compared to the end of the last year.

We have formulated a relatively comprehensive business system for precious metal, including "Chuan Shi Zhi Bao" for the sales of physical precious metal, "Cun Jin Tong", trading in Shanghai Gold Exchange on behalf of personal customers, personal account for precious metal transaction, trading in Shanghai Gold Exchange on behalf of corporate customers, gold leasing business and derivatives trading on behalf of corporate customers. Currently, we are applying for the international membership of Shanghai Gold Exchange.

Distribution Channels

Branch Outlets

Under the principle of "Control the total number of outlets, optimize the outlets in urban areas and stablize the outlets in County Areas", we relocated 235 branch outlets in the first half of the year through setting up, relocating and closing outlets to further refine branch outlets layout. The Bank exerted its efforts in transforming outlets for standardization, in order to effectively enhance the marketing and services of outlets. The Bank explored to establish a network system for outlets of a "One manual outlet plus N financial stations or self-services banks" kind that was complementary in functions and consisted of large, medium and small branch outlets. As at the end of June 2014, we had 19,591 branch outlets in specific functional zones, representing an increase of 805 compared to the end of the previous year.

Electronic Banking

In the first half of 2014, we accelerated the implementation of the innovative development strategy of electronic banking and the Internet finance innovation projects. We leveraged the existing electronic banking business and customer base to launch the "second development" aiming at promoting products, improving experiences, expanding market size and activating customers, we strived to build an online financial network under this new business model by integrating the platforms of financial outlets, e-commerce stores and social networks into one. All kinds of service stores under such network are soon to be made available online to provide one-stop financial and non-financial services for the customers in the network. The innovation of three major areas was also expedited, namely procedure optimization, satisfaction improvement and data application. We recorded 25,626 million electronic transactions during the first half of the year, representing an increase of 23.4% over the same period of the previous year. Our electronic financial transactions accounted for 76.8% of the total transactions.

Internet Banking

We upgraded and launched the corporate Internet Banking (version 6.1) which enhanced functions of fund, electronic commercial draft and large volume collection and payment, and provided new international financial products, such as foreign exchange remittance and letter of credit for import and export to improve our services to corporate customers. As at 30 June 2014, we had 2,923,000 corporate Internet banking customers, representing a net increase of 369,000. In the first half of the year, the total transaction amount of our corporate Internet banking was RMB38.6 trillion, representing an increase of 17.4% over the same period of the previous year.

We expedited the synergistic development of the offline and online businesses and refined functions and procedures of our businesses to improve customer experience. In the first half of 2014, we upgraded the retail Internet banking system several times, and rolled out services, including settlement and sale of exchanges via Internet banking, quick transfer, monetary fund management, inter-bank cash integration and Smart Account. The latest upgrade of user register/login function was also completed. As at 30 June 2014, we had a total of 124 million retail Internet banking customers and the transaction amount in the first half of the year was RMB49.88 trillion, representing an increase of 16.5% over the same period of the previous year.

Telephone Banking

The Bank further developed the customer service centre to streamline the customer service procedure and expand the multi-channel service coverage to promote the centralized construction of service center. During the reporting period, we received 210 million calls via our 95599 customer service centre, 33.69 million calls via our manual customer service and the call completion rate was 85.53%.

Mobile Banking

We further diversified the investment and wealth management functions of mobile customer services and all kinds of applications that provide value-added services to meet the daily needs of customers. We were the first to launch audio USBKEY to provide safer and more convenient mobile payment services to customers. With a view to benefiting all people financially and serving the public, we developed a model with various mobile payment applications by accelerating the innovative pilot mobile payment and mobile e-commerce services for public transportation, municipal administration, supermarkets, schools and County Areas. Brand-new SMS banking business was also launched to improve SMS value-added services. As at 30 June 2014, our mobile banking had a total of 97.46 million registered customers. We recorded 485 million transactions in the first half of the year and the transaction amount was RMB1.74 trillion, representing increases of 139% and 233% over the corresponding period of the previous year respectively. As at 30 June 2014, we had 227 million SMS registered customers.

E-Commerce Banking

In the first half of 2014, we speeded up the establishment of e-commerce payment platforms of a new generation, such as a new generation of comprehensive e-commerce payment platform, cross-border payment system and Unionpay online payment. We strived to promote the "e-commerce Steward", an electronic commercial service platform, to provide customized integrated commercial and financial services covering supply chain management, multi-channel settlement, online and offline synergistic development and cloud service to corporate customers. Pursuant to the regulatory requirements, we continued to regulate the third party payment business. More training were conducted to e-commerce marketing and professional marketing personnel to enhance our e-commerce business service. Channel coverage and inter-bank functions of the County Area services of Zhifutong were extended. In the first half of 2014, the e-commerce transaction amount was RMB544.596 billion, representing an increase of 49.4% over the same period of the previous year.

Self-service Banking

We have the largest self-service channel network covering both urban and rural areas. During the reporting period, by further increasing self-service facilities, refining equipment functions and improving service quality, our channel service capability was significantly enhanced. As at 30 June 2014, we had 105,983 ATMs and 47,482 self-service terminals. Capitalizing on our basic financial services, such as deposits and withdrawal, enquiry and transfer, we launched multi-level services which integrate service in the finance, bills, payment, consumption and information aspects to enhance our service level. The business procedures, transaction interface and voice broadcast of our self-service facilities were fully unified. With standardized brand promotion strategy and application rules, our brand image was significantly improved.

Overseas Business and Diversified Operation

Overseas Business

In the first half of 2014, we steadily improved the layouts and development of overseas institutions. The operation level, profitability level and quality of cross-border financial service of the overseas institutions continuously improved. During the reporting period, we obtained approval from the overseas regulatory authority for the establishment of the Sydney branch and successfully commenced its operation. As of 30 June 2014, we have established 13 overseas institutions in 11 countries and regions, basically forming our overseas network covering Asia, Europe, North America and Oceania. As of 30 June 2014, total assets of our overseas branches and subsidiaries reached USD81,673 million, representing an increase of 40.6% as compared with the end of last year. Net profit for the first half of the year reached USD241 million, representing an increase of 14.2% as compared with the corresponding period of last year.

Major Subsidiaries

Please refer to "Discussion and Analysis — Business Review — Human Resources Management and Organization Management — Organization Management — Major Subsidiaries".

Information Technology

Enhancing operation management and information security

In the first half of 2014, the efficiency, quality and stability of our operation were continuously improved. The average transaction volume per working day of our core operation system reached 216 million, an increase of 21.1% as compared to the same period of the previous year. The highest daily transaction volume reached 267 million. Internet security and informatization committees were established in the head office and some branches to further refine our system of coordination and decision-making of internet security and informatization. Projects such as protection against network intrusion, intranet enhancement, terminal security and prevention of information leakage were launched to improve information security by using advanced technologies.

Improving the effective application of BoEing project and follow-up works

We improved the effective application of the third phase of BoEing project and a problem identification and solving system was established. We made use of the platform of Agricultural Bank of China University to provide training and to promote the project. We promoted the fourth phase of BoEing project and replace the ABIS with BoEing through three stages, namely physical reunion, logistic reunion and overall replacement in 2014 and 2015. At present, we are conducting system test for physical reunion and preparing for logistic reunion and overall replacement. The implementing of system upgrade of the supporting systems of the fourth phase of BoEing project is also launched.

Promoting the innovation and application of internet finance

We technically launched the "Pan Yun Platform", an internet financial service platform, and formulated the pilot scheme of internet financial services. We actively arranged the mobile financial services and established the framework of basic mobile financial services which is an integration of mobile financial service platform, trusted service management platform for mobile applications and security terminal. We accelerated the development of conventional channels, including mobile banking, and completed the development of client applications for major platforms to cover almost all types of existing mobile terminals.

Establishment of big data platform

By linking up the big data platform with the associated systems, the establishment of the infrastructure and functions of the big data platform was preliminarily completed. We also designed and launched the logical data model to provide data services including data marts for assets and liabilities, bank cards and electronic banking.

Development of the second generation of payment system

According to regulatory requirements, we promoted our payment system upgrade of the second generation of payment system which can switch multi-point settlement to single-point settlement. We have formulated a high availability solution for the second generation of payment system. The system architecture was modified to improve its fault tolerance and scalability. We had passed the technology examination of the second generation of payment system by the PBOC. We completed the preparation for the launching of the system including acceptance testing and formulating launching plan.

Continuous refinement of the IT infrastructure

The capacity upgrade of the mainframe machines was successfully completed in 2014 and the data processing capability of the mainframe server was further expanded. The database system of the mainframe machines was upgraded from V9 to V10 and the performance of database was significantly improved. We upgraded the Front-Banking System of our branches in Dalian, Jiangsu, Guangdong and Zhejiang, and the system replacement program of the branches lasting three years had completed, which could support our business development in the next five to seven years. The establishment of automatic operation and maintenance platform, infrastructure cloud platform and enhancement project of key application systems were steadily improved, and the adaptability and scalability of the infrastructure were significantly improved. A flexible and scalable IT infrastructure is basically in place.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, the Bank further carried out the human resource reform by setting out and implementing reform outline and measures. We optimized the structure of the Head Office by establishing the Shanghai management department and restructuring our County Area Banking Division, restructuring the operation management system and further underpinning our emerging business and Internet finance. As a result, our organization system showed higher efficiency and better integration with our strategies. In addition, we implemented the policy for branch outlets and refined the ancillary measures to the reform. We stringently controlled the headcount in the management institutions, replenished the staff of branch outlets and optimized our position system and staff promotion mechanism of branch outlets. We also improved the management of remunerations for branch outlets staff and reinforced the incentives for management of branch outlets.

Cultivation and Development of Human Resources

During the reporting period, we continued to enhance our cultivation and development of human resources. We placed emphasis on the selection of management staff with valuing experience of branch outlets and practical work. We continued the exchange program for the management between the Head Office and branches or between provincial branches. Supervision over the management, especially the senior management of the branches and the branches outlets, was further strengthened. We highly valued the high-end and young talents, professional technicians and county elites as we boosted our team building and human resources quality. Differentiated recruitment policy was adopted, more job vacancies were provided for the frontline positions and branch outlets so as to optimize the staff structure. We also promoted the construction of Agricultural Bank of China University and the transformation and update of its training college. We reinforced the trainings to teachers and formulated a curriculum of core courses. Greater emphasis was placed on the relevance and effectiveness of training. Rotational training for different positions was further implemented. We promoted the training efforts on the management and key staff in the branch outlets and personnel at major positions.

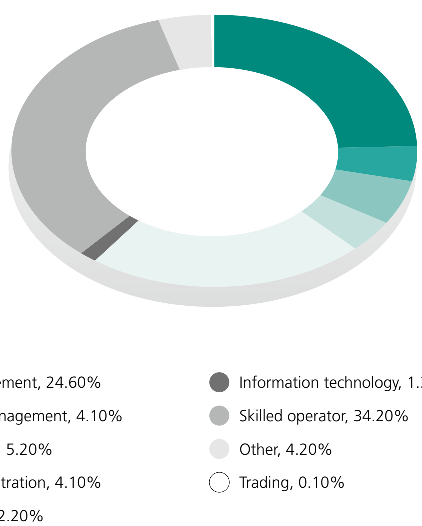
Information on Employees

As of 30 June 2014, we had 478,778 employees (and additional contracted employees of 31,487), representing a decrease of 202 persons over the end of the previous year. Among our employees, 5,834 persons were employed at our major domestic subsidiaries and 568 persons were local employees at our overseas institutions.

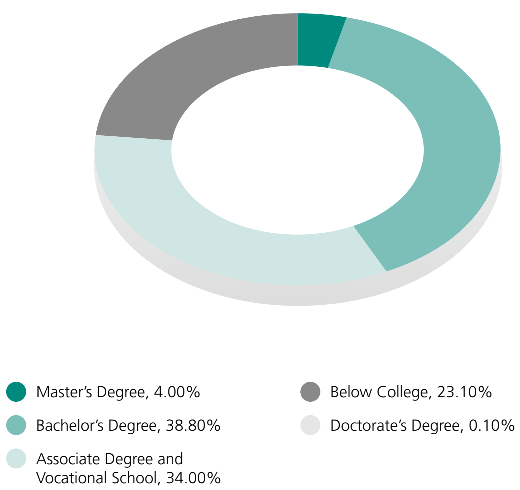
Distribution of Employees of the Bank by Regions

	30 June 2014	
	Number of Employees	Percentage (%)
Head Office	7,831	1.6
Yangtze River Delta	62,263	13.0
Pearl River Delta	51,670	10.8
Bohai Rim	63,670	13.3
Central China	105,001	21.9
Northeastern China	53,931	11.3
Western China	128,010	26.8
Subtotal of Domestic Branch Outlets	472,376	98.7
Major Domestic Subsidiaries	5,834	1.2
Overseas Institutions	568	0.1
Total	**478,778**	**100.0**

Distribution of Employees of the Bank by Profession



Education of Employees of the Bank



Age of Employees of the Bank

	30 June 2014	
	Number of Employees	Percentage (%)
30 or below	87,331	18.2
31–40	88,433	18.5
41–50	226,405	47.3
51 or above	76,609	16.0
Total	**478,778**	**100.0**

Management of Branch Outlets

Domestic Branch Outlets

As of 30 June 2014, we had 23,573 domestic branch outlets, including the Head Office, the Business Department of the Head Office, three specialized institutions managed by the Head Office, 37 tier-1 branches (including branches directly managed by the Head Office), 352 tier-2 branches (including business departments of branches in provinces), 3,507 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), and 19,617 branch outlets and 55 other establishments.

Overseas Branch Outlets

As of 30 June 2014, we had eight overseas branches and two overseas representative offices, namely the Hong Kong, Singapore, Seoul, New York, Dubai, Tokyo, Frankfurt and Sydney branches and the Vancouver and Hanoi representative offices.

Major Subsidiaries

As of 30 June 2014, we had nine major domestic subsidiaries, including ABC-CA Fund Management Co., Ltd., ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd. and six rural bank limited liability companies (ABC Hubei Hanchuan Rural Bank Limited Liability Company, ABC Hexigten Rural Bank Limited Liability Company, ABC Ansai Rural Bank Limited Liability Company, ABC Jixi Rural Bank Limited Liability Company, ABC Xiamen Tong'an Rural Bank Limited Liability Company and ABC Zhejiang Yongkang Rural Bank Limited Liability Company), and three major overseas subsidiaries, including Agricultural Bank of China (UK) Limited, ABC International Holdings Limited and China Agricultural Finance Co., Ltd.

Restructuring the Organizational Structure of Head Office in Line with the Latest Development Trend

In April 2014, we optimized the organizational structure of the Head Office based on the principle of servicing the strategy, clarifying responsibilities and separating of operation and management process. Management system and operation efficiency were improved, departmental functions were specified and internal management procedures were optimized. As such, our differentiated competitive advantages were fostered, consolidated and developed.

Optimized structure of County Area Banking Division. In line with the latest development trend of the construction of new urbanization and the operation system of new agriculture, we transformed the Rural Industrial Banking Department into the Rural Industrial Banking and Urbanization Banking Department to reinforce the functions of business expansion and product innovation. County Area Policy and Planning Department was in charge of the innovation and research and development of "Sannong" products and was then restructured into the County Area Policy and Banking Innovation Department, so as to reinforce the research and development and innovation efficiency of "Sannong" products. The credit management and approval functions were reassigned to the Credit Management Department and Credit Approval Department, and the County Area Credit Management Center and the County Area Credit Approval Center were established, so as to strengthen the credit management and approval in relation to "Sannong" products. In addition, we had set up six management centers for the middle and back offices of the County Area Banking Business covering six major aspects of risk, accounting and appraisal, credit management, credit approval, capital and financial management as well as human resources, in order to further improve the resources sharing between the middle and back offices of our County Area Banking Business and urban business.

Promoting growth of emerging business. Based on the specialized operation of small and micro enterprises and the external regulatory requirements, we established the small and micro enterprises banking department responsible for policy formulation and marketing management in respect of small and micro enterprises. In line with latest trend of financial innovation, we also enhanced the marketing and research abilities of the assets management business. We have set up the assets management department responsible for the overall management of our asset management business in a unified way.

Accelerated development of Internet banking. We have established the Internet Banking Department sharing office with the Electronic Banking Department for the application of Internet technology in our financial services. Meanwhile, we have set up the Internet Banking Promotion Office for the product design as well as research and development of Internet banking.

Establishment of operation center for back offices. We set up the Operation Center for centralized management of relevant back offices operation of business departments, so as to establish an integrated management system for back offices.

Enhanced information governance. We upgraded the Information Center as a tier-1 department to coordinate our information resources and data benchmarks. We also exerted our efforts to optimize data governance system, and integrate our information management systems for extensive information resources sharing.

Coordinated reform of ancillary mechanisms. In addition to the optimization of our organizational structure, we also adopted categorized management for departments and reform the ancillary mechanisms such as the refinement of evaluation system and optimization of our procedures to improve the management efficiency of the Head Office.

County Area Banking Business

We provided customers in the County Areas with a broad range of financial services through all branch outlets in the County Areas in China. Such banking business is referred as the "County Area Banking Business" or "Sannong Banking Business". During the reporting period, in response to the new trend, characteristics and opportunities of the economic and financial development in the County Areas, we strengthened our basic management principles and customer marketing services, improved the prevention and control of risks, continued to consolidate our leading position in the County Areas markets and strived to achieve new breakthrough in our financial services in the County Areas.

Mechanism Reform

Product Research and Development

In response to the reform of product research and development system of the bank, we specified the duties, authorities and reporting path between the Head Office and branches, between front and back offices in respect of the research and development and regulated the innovation process of County Area Banking products. In response to the needs of rural property rights reform, modern agricultural development and new urbanization, we introduced credit products such as loans secured by rural land contractual operating right, loans for construction of collective operating construction land in rural areas, loans for household farm guaranteed by insurance and loans for beautiful rural construction.

Credit Management

We introduced the annual credit policy guidance to determine the key service fields of Sannong, so as to carry out credit support in a timely manner. We revised the credit policies for four agriculture-related industries, namely sugar manufacturing, slaughtering and meatpacking, liquor manufacturing and dairy products manufacturing. We strictly controlled the credit limits for key industries such as "Industries with high energy consumption, high pollution or overcapacity" and real estate as well as other industries with risks. We prioritized the credit review and required settlement within time limits for County Area Banking Business.

Risk Management

We refined the risk management policies for County Area Banking Business to formulated the requirements for the termination of loans to customers with potentially excessive risks, risk elimination of existing loans, and risk prevention and control in key areas and industries. We regularly monitored and analyzed risks of County Area Banking Business, timely reported the risk level and changes of County Area Banking Business and implemented warning of customers with potentially excessive risks. We revised the post-disbursement administrative measures for loans to rural households and designed specific risk management models for new operating entities. Collection strategies were refined in accordance with the risk characteristics of loans. We formulated risk disposal solutions relating to loans to rural households affected by natural disasters, which standardized the qualification and risk disposal requirements of loans to the rural households affected by natural disasters.

Fund and Capital Management

We carried out separate economic capital budget management and performance evaluations for County Area Banking Division to strengthen requirements for the capital constraint of County Area Banking Business and enhance the value-creating ability of County Area Banking Business. We refined the centralized fund management mechanism for County Areas, implemented differentiated reserve deposits ratios for the County Area Banking Division on a pilot basis approved by the PBOC to improve the efficiency of capital operation in County Areas. We improved the pricing management system for deposits and loans, implemented differentiated pricing authorization management for deposits and loans to improve the level of pricing management in County Areas.

Performance Management

We developed performance appraisal plans for the County Area Banking sub-Division and major sub-branches in County Areas, as well as grading appraisal plans for sub-branches in County Areas for 2014, respectively. We strengthened the risk appraisal, focused on the appraisal of development priorities such as agriculture-related loans, loans to rural households, "Kins Huinongtong" and "Projects with Thousands and Hundreds of Units" and simplified the appraisal indicators to promote the fundamental guidance role of performance appraisal. We enhanced the performance appraisal management in sub-branches in County Areas and further standardized the appraisal mechanism in sub-branches in County Areas.

Human Resources Management

We continued to implement differentiated recruitment policy in County Areas and enhanced the recruitment and cultivation of university graduates who had been working as "village officials" after graduation. We launched young talent development program in County Areas for 2014 and accelerated the establishment of a young talent team to serve "Sannong". We adopted specific salary incentive schemes in major County Area sub-branches and timely implemented institution upgrade in sub-branches in County Areas. We organized the first demonstrative training program for young talents in County Areas, promoted the value-added training for middle-aged employees, and held rotation trainings for executives of branch outlets to effectively improve the vocational skills of the staff in County Areas.

County Area Corporate Banking Business

We strengthened our product and service innovation. We amended the *Administrative Measures on Loans for the Establishment of Commodity Circulation Market* and the *Administrative Measures on Industrial Cluster Joint Guaranteed Loans for Small- and Medium-sized Enterprises*. Innovation of region products was promoted. We launched the County Area re-factoring financing business in Tianjin, pilot business of financing with credit enhancement by government in Shandong and Kins "Qiangnongdai" business in Inner Mongolia.

We improved marketing management for core customers by establishing a list of the core customers of our rural industries banking business and regularly updating and improving solutions of integrated financial services, credit approval and post-disbursement management. We launched the marketing strategy of "head office to head office" for industrial leading customers, set up a specialized marketing and customer service team and maintained regular communication between the Bank and the corporations to strengthen the integrated and synergistic marketing and consolidate the cooperation. We introduced comprehensive services including investment banking and financial leasing to high-end customers in order to cater to their diversified financial needs and further reinforce our competitive advantage in the high-end customer base in County Areas.

At the end of June 2014, loans for corporate customers in County Areas (excluding discounted bills) were RMB1,672,307 million, representing an increase of RMB113,663 million over the end of the previous year. The balance of corporate deposits in County Areas was RMB1,537,107 million, representing an increase of RMB61,068 million over the end of the previous year.

County Area Retail Banking Business

We had fully promoted "Kins Huinongtong" project. As of 30 June 2014, we had 625,000 "Kins Huinongtong" services outlets, representing an increase of 43,000 outlets as compared with the end of the previous year. We had 1.2 million electronic machines, representing an increase of 46,000 machines as compared with the end of the previous year. The village coverage of electronic machines increased by 3.7 percentage points from the end of the previous year and reached 72%.

The business transformation of loans to rural households achieved remarkable results. In the first half of 2014, we focused on emerging agricultural operation entities, such as large rural households and family farms and promoted business transformation of loans to rural households. Currently, we are providing one-stop financial services to 3,012 family farms. Huinong Cards and agriculture-related fund agency business developed steadily. As of 30 June 2014, we issued a total of 150 million Huinong Cards, representing an increase of 9.55 million cards compared to the end of the previous year. We secured the agency business of new rural insurance in 1,190 counties, representing an increase of 44 counties as compared with the end of the previous year. We secured new rural cooperative medical insurance in 808 counties, representing an increase of 26 counties as compared with the end of the previous year. We also secured 3,974 other agency projects such as grain direct subsidies, representing an increase of 1,468 compared to the end of the previous year. The total balance of agency business accounts of all agriculture-related projects amounted to RMB93,450 million, representing an increase of RMB12,620 million compared to the end of the previous year.

As of 30 June 2014, the balance of loans and deposits for our County Area Retail Banking Business amounted to RMB856,922 million and RMB3,590,794 million, representing an increase of RMB89,875 million and RMB252,162 million, respectively, compared to the end of the previous year.

Financial Position

Assets and Liabilities

At 30 June 2014, the total assets of the County Area Banking Business reached RMB5,883,344 million, representing an increase of 7.4% over the end of the previous year. Total loans and advances to customers reached RMB2,544,420 million, representing an increase of 8.4% over the end of the previous year. Deposits from customers increased to 5,365,626 million, representing an increase of 8.2% over the end of the previous year.

The following table sets forth the major items of assets and liabilities of the County Area Banking Business at the dates shown below.

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Items	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Total loans and advances to customers	2,544,420	—	2,348,034	—
Allowance for impairment losses on loans	(136,996)	—	(127,833)	—
Loans and advances to customers, net	2,407,424	40.9	2,220,201	40.5
Intra-bank balances[1]	2,974,841	50.6	2,819,633	51.5
Other assets	501,079	8.5	437,501	8.0
Total assets	**5,883,344**	**100.0**	**5,477,335**	**100.0**
Deposits from customers	5,365,626	96.2	4,959,437	95.5
Other liabilities	212,518	3.8	232,361	4.5
Total liabilities	**5,578,144**	**100.0**	**5,191,798**	**100.0**

Note: 1. Intra-bank balances represent funds provided by our County Area Banking Business to other business within the Bank through internal funds transfers.

Profit

In the first half of 2014, the profit before tax of our County Area Banking Business decreased by 5.8% compared to the same period of the previous year to RMB43,918 million, primarily due to the fact that (1) the Bank recorded more impairment losses on assets as a result of the increase in the allowance for impairment losses; (2) interest income from intra-bank balances decreased due to internal funds transfer pricing adjustment.

The following table sets forth the major items of income statement of our County Area Banking Business for the periods indicated.

In millions of RMB, except for percentages

	Six months ended 30 June 2014	Six months ended 30 June 2013	Increase/ (decrease)	Growth Rate (%)
External interest income	80,286	69,580	10,706	15.4
Less: External interest expense	45,278	40,253	5,025	12.5
Interest income from intra-bank balances[1]	46,250	47,196	(946)	-2.0
Net interest income	**81,258**	**76,523**	**4,735**	**6.2**
Net fee and commission income	**16,114**	**17,145**	**(1,031)**	**-6.0**
Other non-interest income	1,275	1,217	58	4.8
Operating income	**98,647**	**94,885**	**3,762**	**4.0**
Less: Operating expenses	41,230	39,064	2,166	5.5
Impairment losses on assets	13,499	9,207	4,292	46.6
Total Profit before tax	**43,918**	**46,614**	**(2,696)**	**-5.8**

Note: 1. Interest income from intra-bank balances represents interest income earned on funds provided by our County Area Banking Business to our other businesses at internal funds transfer pricing, which is determined based on market interest rate.

Key Financial Indicators

The tables below set out the key financial indicators of our County Area Banking Business at the dates or for the periods indicated.

Unit: %

Item	Six months ended 30 June 2014	Six months ended 30 June 2013
Average yield of loans	6.48*	6.44*
Average cost of deposits	1.74*	1.68*
Net fee and commission income to operating income	16.34	18.07
Cost-to-income ratio	37.55	36.72
Item	**30 June 2014**	**31 December 2013**
Loan-to-deposit ratio	47.42	47.34
Non-performing loan ratio	1.60	1.54
Allowance to non-performing loans	336.93	352.85
Allowance to total loans	5.38	5.44

* *Annualized figures.*

Risk Management

Comprehensive Risk Management System

In the first half of 2014, we implemented a comprehensive, balanced and effective risk management strategy, adhered to a prudent and innovative risk appetite, improved the comprehensive risk management system, promoted the implementation of the advanced approach of capital management and reinforced the application of advanced risk measurement and management technologies in business operations, so as to provide solid support for our business development and transformation.

We kept track of the macro-economy and the management of our business and operations, analyzed the overall risks of the Bank, adjusted our risk management policies in a timely manner, enhanced risk management in key areas and identified the responsibilities of risk prevention and control. We optimised the non-retail and retail customer rating system, developed the credit rating model for customers with operating property loans, and improved the scorecards for loans to rural households and retail loans. We strengthened the management of exposure limit and off-balance-sheet businesses and reinforced the control on limits of existing loans. We introduced the policies for annual capital transactions and investments and market risk management, and made full use of the measurement results of market risk based on the Internal Models Approach. We refined the economic capital measurement plan, increased the sensitivity of risk and guided branches to strengthen the basic management principles through capital constraint mechanism.

Approval for the Implementation of Advanced Approach of Capital Management

In April 2014, the CBRC officially approved the Bank to become one of the first batch of banks to implement the advanced approach of capital management. The scope of approval includes the implementation of non-retail internal rating-based (IRB) approach, retail exposures IRB approach and standardized approach for operational risk. We also closely followed the subsequent requirements after the CBRC approval, allocated more resources and further improved and refined the infrastructure construction of the three pillars.

We continued to improve the advanced approach of capital management. For credit risk, we further refined our internal rating system and rating management rules, promoted the independence and sensitivity of ratings and regulated operations throughout the rating process. We also strengthened supervision of ratings and expanded the scope and coverage of the application of ratings. We emphasised the role of the application of ratings in the approval of loan application and further adjusted and optimized the approval standards. In addition, we accelerated the development of credit limit adjustment system for credit cards in order to dynamically adjust the credit card limit based on the grading of behaviors. We also verified the rating models and upgraded rating related systems in order to further enhance the risk identification ability and adaptability of the scorecards for personal residential mortgage loans, loans to private businesses and consumption loans as well as retail loans for rural production and operation. For market risk, based on the Internal Models Approach (IMA) developed previously, we completed the verification after the system started operation and continued to refine the calculation engine to further improve the effectiveness of measurement. For operational risk, we established and improved the standard for loss data and improved the quality of internal loss data. We also optimized the calculation engine and scorecards for operational risk to increase the stability and accuracy of risk measurement.

We primarily established the Internal Capital Adequacy Assessment Process (ICAAP) with our specific characteristics in compliance with regulatory requirements. We formulated the *Administrative Rules for the Internal Capital Adequacy Assessment Process*, designed and developed a platform for the ICAAP, expanded the application of the results of the ICAAP and improved the integrated economic capital allocation system.

We disclosed the information of capital adequacy ratio in a timely manner. We formulated and published the *2013 Capital Adequacy Ratio Report* separately. We calculated the capital adequacy ratio as at the end of June 2014 based on the advanced approach of capital management approved by the regulatory authorities and disclosed capital and risk related information.

The implementation of advanced approach of capital management represents a higher level of our risk measurement and management standard, and lays a solid management foundation for strengthening capital constraint, providing better services to the real economy and supporting Sannong. As our next step, the Bank will continue to study and improve the mechanism of the balance between risk and profit, refine the asset structure, and promote the quality and effect of implementation of the advanced approach of capital management.

Credit Risk

Credit risk is the risk of loss from the default by an obligor or a counterparty when payments fall due. We are exposed to credit risk primarily from our loan portfolio, investment portfolio, guarantee business and various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

In the first half of 2014, we strictly complied with the government's macro-economic control policies, supported the restructuring, transformation and upgrades of the economy, continuously improved the risk control mechanism and strictly adhered to the risk limitation. We continued to promote system construction, improved the information technology system, enhanced risk monitoring and strengthened the risk control in key areas as well as the ability to control and mitigate risks.

We refined the credit policies. We amended the administrative measures for credit authorization to improve the management of credit authorisation. We also amended the administrative measures for credit granting to group-companies customers to improve the efficiency of credit approval and granting. We introduced the administrative rules for supply chain financing business and regulated the cluster marketing and batch operations for all parties in the supply chain to control risk. We formulated a service manual for the credit assets securitization business to regulate the management and operational procedures.

We promoted the construction of procedures and systems. We improved the evaluation of collateral and credit approval procedures. For credit management system, we launched the functions of pricing approval for interest rates and the disposal of non-performing loans, integrated the procedures for pricing of interest rates and credit approval and enhanced the system support for the disposal of non-performing loans. We improved the centralised management platform of credit granting to adopt real-time management on credit granting for redeemable rediscount business.

We enhanced risk prevention and control in key areas. We established a regular and extensive supervision and analysis system for industries and kept track of the trend of risks in key industries including shipbuilding, photovoltaic, steel and coal industries in order to enhance the effectiveness of risk monitoring. We continued to manage industry-specific exposure limit. In addition, we tightened the scale control of real estate loans and further refined the credit structure to promote healthy development of the real estate loan business. We closely followed the progress of diversified financing by local governments and the risk of existing loans to financing vehicles and selected new borrowers and loan projects of government financing in a prudent manner. We also enhanced the management of core customers of the head office and cross-province group-companies customers. We formulated the post-disbursement management rules and conducted on-site inspections to identify potential risk factors and resolve the potential risks timely.

We enhanced risk management of retail loans. We refined the risk management system for retail loans, identified the responsibilities of risk management of retail loans at branch outlets in different levels and carried out the mechanism of regular post-disbursement management meetings. We promoted the reform of centralized operation and established an integrated, professional, standardized and streamlined risk control platform for middle and back office, covering up to 99.8% of the retail loans centres of the Bank. We improved the ratings of retail loans and imposed strict approval standards. For customers with low scores, the Bank implemented effective withdrawal and exit strategies. We also upgraded the loan collection system with a focus on long-distance collection and supervised the collection efficiency of the retail loan centres in their respective regions.

We reinforced risk management for credit cards. We promoted the risk management system for credit cards, issued the guidance on credit card risk management, revised the regulation of credit granting management for credit cards and formulated the operation rules for risk management of third-party payment institutions of credit cards. We further improved the risk management tools for credit cards, optimized the scorecards and developed application strategies for ratings. We also speeded up the construction of the centralized inspection and approval centre for credit cards and promoted the reform of special loan instalment approval model. We prevented the operational risk by separating business processes and flows. In addition, we reinforced the risk control for merchants of settlement services, especially the pre-authorized merchants, and optimized the access management of the third-party payment institutions. We strengthened the risk prevention of credit card fraud and conducted investigation and identification of risks arising from the cash advance service of credit cards. We promoted the collection system and moderately increased the frequency of centralized collection to enhance the collection of assets with risks.

Credit Risk Analysis

Distribution of Loans by Collateral

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Loans secured by mortgages	3,789,198	48.3	3,512,888	48.6
Loans secured by pledges	939,246	12.0	793,120	11.0
Guaranteed loans	1,401,993	17.9	1,296,613	17.9
Unsecured loans	1,710,470	21.8	1,622,092	22.5
Total	**7,840,907**	**100.0**	**7,224,713**	**100.0**

Distribution of Overdue Loans by Period Overdue

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	**Amount**	**Percentage of total loans (%)**	**Amount**	**Percentage of total loans (%)**
Overdue for less than 90 days (including 90 days)	49,776	0.6	34,893	0.5
Overdue for 91 to 360 days	35,979	0.5	21,910	0.3
Overdue for 361 days to 3 years	21,804	0.3	23,814	0.3
Overdue for more than 3 years	15,762	0.2	19,807	0.3
Total	**123,321**	**1.6**	**100,424**	**1.4**

Restructured Loans and Advances

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Restructured loans and advances	11,140	0.1	10,376	0.1

Loan Concentration

In millions of RMB, except for percentages

Top 10 single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, logistics and postal services	43,017	0.55
Borrower B	Real estate	17,230	0.22
Borrower C	Production and supply of power, heat, gas and water	14,761	0.19
Borrower D	Construction	13,631	0.17
Borrower E	Leasing and commercial services	12,213	0.16
Borrower F	Transportation, logistics and postal services	11,284	0.14
Borrower G	Manufacturing	10,814	0.14
Borrower H	Transportation, logistics and postal services	10,684	0.14
Borrower I	Transportation, logistics and postal services	10,500	0.13
Borrower J	Production and supply of power, heat, gas and water	10,260	0.13
Total		**154,394**	**1.97**

At 30 June 2014, the total loans granted to the largest single borrower and top ten single borrowers accounted for 3.47% and 12.46% of our net capital, respectively, both of which were in compliance with the regulatory requirements.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Normal	7,459,125	95.13	6,860,589	94.96
Special mention	284,309	3.63	276,343	3.82
Non-performing loans	97,473	1.24	87,781	1.22
Substandard	34,203	0.43	25,388	0.36
Doubtful	51,749	0.66	52,162	0.72
Loss	11,521	0.15	10,231	0.14
Total	**7,840,907**	**100.00**	**7,224,713**	**100.00**

At 30 June 2014, the balance of non-performing loans of the Bank was RMB97,473 million, representing an increase of RMB9,692 million compared to the end of the previous year. Non-performing loan ratio increased by 0.02 percentage point to 1.24%. The balance of special mention loans was RMB284,309 million, representing an increase of RMB7,966 million compared to the end of the previous year. Special mention loans accounted for 3.63% of total loans, representing a decrease of 0.19 percentage point. In view of the slowdown of economic growth, the Bank adhered to the risk limitation and generally maintained the quality of loans through the following measures: (1) the Bank established a complete and effective risk prevention and control system for loans based on the principles of comprehensive risk management, and further improved the rules of credit rating for customers, allowance for impairment loss, measurement of economic capital and post-loan management; (2) the Bank implemented measures to mitigate regional risks and product risks in response to the macro-economic conditions and changes in regulatory requirements and focused on risk prevention of large customers. The Bank determined provision for losses for different classes of loans, strictly observed loan limits in granting loans and closely monitored overdue loans and special mention loans. The Bank also conducted remedial actions for credit risks and case prevention inspections in key areas, and explored to establish a risk database for effective use of risk information; and (3) the Bank enhanced risk monitoring and post-disbursement management to identify and mitigate risks in a timely manner, developed innovative measures to dispose non-performing loans and write off more bad loans.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

	30 June 2014			31 December 2013		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	79,518	81.6	1.58	71,462	81.4	1.51
Short-term corporate loans	58,255	59.8	2.59	48,368	55.1	2.26
Medium- and long-term corporate loans	21,263	21.8	0.76	23,094	26.3	0.89
Discounted bills	7	—	0.01	24	—	0.03
Retail loans	17,078	17.5	0.74	15,425	17.6	0.74
Residential mortgage loans	4,006	4.1	0.28	3,787	4.4	0.29
Personal consumption loans	1,684	1.7	0.83	1,418	1.6	0.70
Loans to private businesses	3,485	3.5	1.26	3,251	3.7	1.27
Credit card overdraft	2,990	3.1	1.42	2,258	2.6	1.16
Loans to rural households	4,753	4.9	2.93	4,502	5.1	3.07
Others	160	0.2	12.53	209	0.2	13.94
Overseas and others	870	0.9	0.21	870	1.0	0.28
Total	**97,473**	**100.0**	**1.24**	**87,781**	**100.0**	**1.22**

At 30 June 2014, the balance of non-performing corporate loans was RMB79,518 million, representing an increase of RMB8,056 million over the end of the previous year. Non-performing loan ratio of corporate loans was 1.58%, representing an increase of 0.07 percentage point over the end of the previous year. The balance of retail non-performing loans increased by RMB1,653 million to RMB17,078 million over the end of the previous year. Non-performing loan ratio of retail loans was 0.74%, which was similar to that of the end of the previous year.

Distribution of Non-Performing Loans by Geographical Region

In millions of RMB, except for percentages

Item	30 June 2014			31 December 2013		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	3	—	—	3	—	—
Yangtze River Delta	23,904	24.5	1.27	19,373	22.1	1.09
Pearl River Delta	15,808	16.2	1.47	12,407	14.1	1.22
Bohai Rim	16,254	16.7	1.21	16,603	19.0	1.33
Central China	15,358	15.8	1.59	14,075	16.0	1.57
Northeastern China	4,482	4.6	1.49	4,927	5.6	1.78
Western China	20,794	21.3	1.21	19,523	22.2	1.23
Overseas and others	870	0.9	0.21	870	1.0	0.28
Total	**97,473**	**100.0**	**1.24**	**87,781**	**100.0**	**1.22**

As of 30 June 2014, the business of the Bank in eastern China was affected by the slowdown in the economic growth. The balances of non-performing loans in the Yangtze River Delta and the Pearl River Delta increased by RMB4,531 million and RMB3,401 million, respectively, compared to the end of the previous year.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2014			31 December 2013		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	45,350	57.0	3.15	39,316	55.0	2.86
Production and supply of power, heat, gas and water	3,108	3.9	0.61	4,548	6.4	0.94
Real estate	2,390	3.0	0.41	3,521	4.9	0.66
Transportation, logistics and postal services	3,219	4.1	0.48	3,586	5.0	0.59
Wholesale and retail	17,671	22.2	3.18	12,305	17.2	2.36
Water, environment and public utilities management	666	0.8	0.33	836	1.2	0.41
Construction	1,223	1.5	0.56	1,055	1.5	0.53
Mining	446	0.6	0.20	267	0.4	0.13
Leasing and commercial services	939	1.2	0.27	1,370	1.9	0.42
Information transmission, software and IT services	206	0.3	1.03	194	0.3	0.79
Others	4,300	5.4	1.71	4,464	6.2	1.87
Total	**79,518**	**100.0**	**1.58**	**71,462**	**100.0**	**1.51**

As of 30 June 2014, the balances of non-performing loans of the Bank decreased most in two industries, namely (i) production and supply of power, heat, gas and water and (ii) real estate, which decreased by RMB1,440 million and RMB1,131 million, respectively. The non-performing loans to (i) the manufacturing industry and (ii) wholesale and retail industry increased most by RMB6,034 million and RMB5,366 million, respectively, compared to the end of the previous year.

Changes to the Allowance for Impairment Losses

In millions of RMB

Item	Individually assessed	Collectively assessed	Total
At 1 January 2014	50,127	272,064	322,191
Charge/transfer-in for the period	12,416	14,669	27,085
— Addition	16,030	38,794	54,824
— Reversal	(3,614)	(24,125)	(27,739)
Write-offs and transfer-out for the period	(10,359)	(1,410)	(11,769)
Transfer-in for the period			
— Recoveries of loans and advances written-off in previous years	343	116	459
— Unwinding of discount on loans and allowances	(248)	(132)	(380)
— Exchange difference	9	58	67
At 30 June 2014	**52,288**	**285,365**	**337,653**

At 30 June 2014, allowance for impairment losses on loans was RMB337,653 million, representing an increase of RMB15,462 million over the end of the previous year. The balance of allowance for impairment losses assessed on a collective basis was RMB285,365 million, increased by RMB13,301 million over the end of the previous year. The balance of allowance for impairment losses assessed on an individual basis was RMB52,288 million, increased by RMB2,161 million over the end of the previous year. The ratio of allowance to non-performing loans was 346.41%, and the ratio of allowance to total loans was 4.31%. Both ratios complied with the regulatory requirements.

Market risk

Market risk refers to the risk of losses in the on-and off-balance sheet businesses of banks as a result of an adverse change in market prices. Market risk comprises interest rate risk, exchange rate risk, stock price risk and commodity price risk. The Bank is exposed to market risk, mainly including interest rate risk and exchange rate risk. The organizational structure for risk management of the Bank comprises the Board of Directors and its risk management committee, Senior Management and its risk management committee, Risk Management Department, Asset and Liability Management Department and the business departments and institutions bearing market risk.

In the first half of 2014, the Bank formulated policies regarding annual treasury transaction and investment and market risk management, and amended the administrative rules on examination of impairment loss of financial assets and valuation of treasury transaction and investment. We also optimized the impairment loss testing procedures for portfolios and reasonable valuation standards of financial assets. We further improved the market risk management system and comprehensively verified the financial model, system parameter and market data of the Internal Models Approach. We optimized resources allocation, adjusted data logic and improved computation efficiency. In addition, we promoted the application of the Internal Models Approach in our overseas branches.

Separation of Trading Book and Banking Book

To enhance the effectiveness of the market risk management and the accuracy of the measurement of regulatory capital for market risk, the Bank classified all of the on- and off-balance-sheet assets and liabilities into trading book and banking book, respectively. Trading book covers the financial instruments and commodity positions held for trading or hedging purposes. Any other positions are classified into the banking book.

Market Risk Management for Trading Book

The Bank managed the market risk of the trading book through methods such as Value at Risk (VaR), exposure limit management, sensitivity analysis, duration analysis, exposure analysis and stress testing.

In the first half of 2014, in line with the changes of market environment and operation conditions, we formulated policies regarding annual treasury transaction and investment and market risk management, and adopted general policies and risk control requirements, such as exposure level and maturity, in respect of bond transactions and derivatives transactions. We optimized the limit indicator system with VaR as its core indicator, and measured and monitored the market risk for trading book.

The Bank adopted historical simulation method with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to measure the VaR for trading book of the Head Office as well as domestic and overseas branches of the Bank. Based on the differences between domestic and overseas markets, the Bank selected applicable parameter for model and risk factors in order to reflect the actual market risk level. We verified the accuracy and credibility of the risk measurement model by data analysis, parallel modeling and back-testing of the market risk measurement model.

VaR Analysis for Trading Book

In millions of RMB

	January–June 2014				January–June 2013			
Item	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	56	75	87	55	43	29	43	17
Exchange rate risk	58	125	247	54	14	59	122	8
Commodity Risk	8	17	34	2	3	20	54	2
Overall VaR	90	178	289	86	55	81	151	36

Notes: 1. *The Group calculates VaR for the Bank's trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations of State Administration of Foreign Exchange).*
2. *According to the Capital Rules for Commercial Banks (Provisional), VaR relating to gold was reflected in exchange rate risk.*

During the reporting period, VaR simulation calculation process included the extreme scenario in which inter-bank market interest rates increased significantly in June 2013. As a result, VaR related interest rate increased as compared to the same period of last year. As the risk exposure of the domestic and overseas gold portfolio increased, the exchange rate VaR increased as compared to the same period of last year. The average commodity VaR decreased as a result of the decreased scale of silver transaction.

Market Risk Management for Banking Book

The Bank managed the market risk of banking book by comprehensively utilizing measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to risk causing loss to our income or economic value arising from adverse movements of the statutory or market interest rate. The interest rate risk of the banking book of the Bank mainly arises from a mismatch of the maturity or re-pricing dates of interest rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities based.

The Bank proactively responded to the challenge of the liberalization of interest rate by adopting various measures for efficient management of interest rate risk. The Bank monitored and analyzed interest rate risks by comprehensively utilizing measures such as interest rate sensitivity gap analysis, duration analysis, scenario analysis and stress testing. An interest rate risk assessment monitoring system was established to regularly monitored the implementation of limit. The Bank adjusted the loan structure, optimized the investment portfolio and adjusted the FTP (fund transfer pricing) and interest rate authorization in a timely manner in order to minimize the effects of interest rate fluctuations on net interest income and net interest margin. In the first half of 2014, the interest risk was controlled within the specified scope and the overall interest rate risk was manageable.

Exchange Rate Risk Management

Exchange rate risk refers to risk due to mismatches in the currency denominated assets and liabilities. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the exchange rate risk caused by structural assets and liabilities (the "structural exchange rate risk"), which are difficult to be mitigated in operations.

In the first half of 2014, the Bank carried out monitoring and sensitivity analysis of exchange rate risk exposure regularly, strengthened the management of currency matching of foreign currency denominated assets and liabilities and increased the exposure level and risk tolerance of trading exchange rate risk in response to the increased market risk as a result of the rising volatility of exchange rate and higher customer demand for risk prevention.

Market Risk Exposure Limit Management

Our market risk exposure limit includes position limit, stop-loss limit, VaR limit and stress testing limit.

In the reporting period, according to our business development and risk management, we further improved our system of market risk exposure limit by adjusting our limit and expanding the category of limits for new products, so as to allocate resources reasonably and maintain our healthy business growth.

Interest Rate Risk Analysis

At 30 June 2014, the cumulative negative gap sensitive to interest rate due within one year amounted to RMB367,990 million, representing an increase of RMB83,909 million in absolute terms compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	Sub-total of 1 year and below	1–5 years	Over 5 years	Non-interest earning
30 June 2014	(3,538,198)	528,944	2,641,264	(367,990)	(52,376)	1,247,908	(107,533)
31 December 2013	(2,291,861)	548,216	1,459,564	(284,081)	(143,786)	1,200,426	(101,365)

Note: Please refer to "Note 49.3 Market Risk" to the financial statements for details.

Interest Rate Sensitivity Analysis

In millions of RMB

	30 June 2014		31 December 2013	
Movements in basis points	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	(19,595)	(20,009)	(11,922)	(19,330)
Decreased by 100 basis points	19,595	20,009	11,922	19,330

The above interest rate sensitivity analysis indicates the movements in net interest income and other comprehensive income under the stated interest rate movements, assuming that there is a parallel shift in the yield curve, and without taking into account any risk management measures adopted by the management to reduce interest rate risk.

Based on our assets and liabilities at 30 June 2014, net interest income would decrease (or increase) by RMB19,595 million if interest rates instantaneously increase (or decrease) by 100 basis points. Other comprehensive income would decrease (or increase) by RMB20,009 million if interest rates instantaneously increase (or decrease) by 100 basis points.

Exchange Rate Risk Analysis

Our exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In the first half of 2014, the mid-point rate of RMB depreciated against USD accumulatively by 559 basis points or 0.91%. At 30 June 2014, our net foreign exchange exposure of financial assets/liabilities was USD1,228 million, representing a decrease of USD638 million compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2014		31 December 2013	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of domestic financial assets/liabilities	(4,055)	(659)	(20,225)	(3,317)
Net foreign exchange exposure of overseas financial assets/liabilities	11,611	1,887	31,602	5,183
Net foreign exchange exposure of domestic and overseas financial assets/liabilities	7,556	1,228	11,377	1,866

Note: Please refer to "Note 49.3 Market Risk" to the financial statements for details.

Exchange Rate Sensitivity Analysis

In millions of RMB

		Impact on profit before tax	
Currency	Increase/decrease in exchange rate of foreign currency against RMB	30 June 2014	31 December 2013
USD	+1%	(73)	(188)
	-1%	73	188
HKD	+1%	(3)	(93)
	-1%	3	93

Liquidity Risk

Liquidity risk refers to the risk of being unable to liquidate a position in a timely manner to acquire sufficient funds or failing to acquire sufficient funds at a reasonable cost in response to the growth of assets or to fulfill payment obligations despite that the Bank has the ability to repay. Our liquidity risk mainly derives from concentrated cash withdrawals, massive deferred payments by borrowers, serious mismatches of assets and liabilities and difficulties in liquidating large-value assets.

Liquidity Risk Management

In the first half of 2014, the PBOC implemented prudent monetary policies and exerted more efforts in pro-cyclical fine-tuning. The PBOC regulated the liquidity flexibly through various methods, such as open market operations, re-lending, establishing pilots which provide standing lending facilities in branches and sub-branches and targeted RRR cuts. The interbank market liquidity was generally moderate. The Bank closely monitored the changes of monetary policies and market. We strengthened the analysis of the macro-economic and financial situations and the factors that could impact on liquidity, so as to effectively manage the liquidity risk. The Bank put efforts to take in core deposits, and ensured a smooth channel for market financing and maintained high liquidity reserve assets to fulfill the payment demand of customers. We continuously made immediate measurement and monitoring by monitoring the excessive allowance for loan losses of the Bank in time, estimated and forecasted fund by day, analysed the microeconomic trend in liquidity regular meeting by week, analysed the liquidity risks by month and made stress testing by quarter. The Bank strengthened our liquidity management capability by upgrading and reforming the liquidity management system and establishing an indicator system for monitoring liquidity. The Bank strengthened the real-time monitoring and reporting of treasury position, flexibly adjusted the daily financing limit, so as to ensure the sufficiency of reserves and enhance the operation efficiency of assets. The Bank enhanced our unified management of liquidity of on- and off-balance sheet by refining the coordination with liquidity management related to wealth management business. In order to facilitate the smooth liquidity of funds in the Bank and improve the liquidity management of overseas entities, we established an integrated management mechanism for both overseas and domestic RMB-denominated capitals.

Liquidity Risk Analysis

We persisted in prudent liquidity management strategies. The Bank enhanced the monitoring and analysis of overall monetary policies, market liquidity, development of our assets and liabilities business and liquidity position, so as to estimate the supply and demand of capital accurately and adjust capital liquidity flexibly. We built up multi-level liquidity reserves and prepared liquidity for matured debts proactively, so as to satisfy payment demand in critical moment. During the reporting period, the overall liquidity position was stable and the liquidity risk was under control.

Liquidity Gap Analysis

The table below sets out our net position of liquidity as of the dates indicated.

In millions of RMB

	Past due	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
30 June 2014	22,825	(7,284,418)	564,867	(226,307)	110,688	1,476,037	3,486,793	2,569,524	720,009
31 December 2013	18,629	(7,089,235)	355,050	(193,973)	631,324	1,333,003	3,210,614	2,405,782	671,194

Note: Please refer to "Note 49.2 Liquidity Risk" to the financial statements for details.

We assessed liquidity risk through liquidity gap analysis.

At 30 June 2014, the negative gap of liquidity repayable on demand continued to increase primarily due to a rapid growth of demand liabilities. Subject to the satisfaction of payment requests, we moderately extended asset duration in order to enhance the efficiency of fund utilization. As a result, the positive gap within 1-5 years and over 5 years increased by RMB143,034 million and RMB276,179 million, respectively, as compared to the end of the previous year.

Operational Risk Management and Anti-Money Laundering

Operational Risk Management

Operational risk refers to the risk or loss resulting from inadequate or problematic internal control procedures, from human or information system related factors, or from external affairs, including legal risk, but not including strategy risk or reputation risk.

In the first half of 2014, the Bank commenced the trial application of AMA for operational risk in the field of economic capital so as to improve operational risk management. We formulated an annual plan of operational risk assessment, and carried out self-assessment and special assessment. The assessment results were consolidated into the measurement of economic capital. We further improved key risk indicator system, expanded the coverage of risk indicators, reinforced data verification and examination and enhanced the accuracy of indicator monitoring. We organized internal and external experts to evaluate the operation security of the data center of the Bank, accelerated the establishment of disaster preparation center, analyzed the impacts on our business and improved the capability of business continuity management. We also implemented the accountability system for case prevention and control, carried out case prevention inspections and assessed the risk self-prevention system to further prevent operational risks in key regions, businesses and personnel. Remote centralized authorization system and centralized operation platform were improved and counter operation rules were formulated to prevent counter business risks. We regulated the business cooperation with third-party payment institutions and adopted more advanced encryption technology in our e-banking system to enhance the security of fund transactions for customers.

Legal Risk Management

Legal risk refers to any risk of the Bank suffering from adverse consequences including legal liabilities, loss of rights and reputational damage due to the breach of laws, administrative rules and regulations, or terms of contracts of its business operations and legal failure to duly regulate and exercise rights or external legal factors. Legal risk includes risk directly resulted from legal factors, as well as the risk associated with other forms of risks.

In the first half of 2014, we continued to promote the "Sixth Five-Year" Legal Education Program, organized various lectures in relation to legal education for the Bank endeavoured to set up long-term mechanism of legal education, so as to enhance the legal risk prevention awareness of all employees. The management of litigation authority of branches was strengthened to effectively improve litigation management. We investigated similar key cases and identified legal risks of our operation and management in time. We properly addressed right protection and risk prevention in key cases. As a result, pending cases were settled timely and our rights were protected effectively. According to the requirements of laws and regulations, including the Laws on the Protection of Consumer Rights and Interests and the Administrative Measures on Pricing of Commercial Banking Services and regulatory requirements, we streamlined and amended the standard contract template to enhance the respect and protection of the rights and interests of consumers. We studied internet financing, cross-industry financing and cross-border financing business from a perspective of legal inspection with a focus on innovation. We further promoted the intellectual property management by reinforcing the reporting of self-owned intellectual property, regulating the use of intellectual property and controlling risks of intellectual property to avoid disputes and losses and protect the rights and interests of the Bank. The system management was enhanced through the formulation, amendment and abolishment of annual regulations and rules, ensured the compliance with laws and regulations and regulatory requirements and further optimized operation and management processes. We carefully studied laws and regulations and issued interpretation report of banking regulations regularly to uncover legal risks and promoted the Bank understanding and keeping abreast of the latest laws and regulations. We innovated "Lecture on Laws" to popularize laws. Legal information management system was upgraded with an aim to improve the informatization of our legal risk management.

The Bank was awarded the "2013 Best Banks with Outstanding Legal Risk Management in China" from China Banking Association.

Anti-Money Laundering

In the first half of 2014, we further reformed the operation mode of anti-money laundering. We established an indicator model of anti-money laundering and anti-terrorist financing risks, optimized and upgraded the system tools for anti-money laundering customer risk classification, strengthened the blacklist monitoring system and established a uniformed system of overseas anti-money laundering compliance management, so as to further improve the prevention of anti-money laundering and anti-terrorist financing risks.

Consolidated Management

In the first half of 2014, we continued to standardize and strengthen the consolidated management of our subsidiaries and branches. All of the consolidated risk indicators of the Group were in compliance with the regulatory requirements. We continued motivating our subsidiaries and branches to build and improve their own risk management systems in order to unify the risk management policy of the Group. We regularly collected and analyzed risk information of our subsidiaries and branches so as to strengthen the risk monitoring, analysis and reporting continuously and strengthened the appraisal of risk and operating performance. We enhanced the data collection and reporting of our subsidiaries and branches and developed an online consolidated risk reporting system.

Reputation Risk

Reputation risk refers to the risk resulting from negative feedback from related stakeholders due to the operation, management or other acts of the Bank or external events.

We have placed reputation risk management under the corporate governance and comprehensive risk management system. We continuously refined the reputation risk management mechanism, measures and policies, and actively and effectively prevented reputation risk and addressed reputation risk events to minimize the losses and negative effects arising from the events.

In the first half of 2014, we continued to improve our reputation risk prevention, enhanced the reporting and disposal of reputation risk events, strictly implementing the zero report policy of reputation risk, and emphasizing the supervision, analysis and reporting of public opinions. We exerted our efforts in preventing risks, strengthened the handling and resolving of reputation risks events. We made clear duty division between reputation risk management departments and business units and imposed the responsibility of risk prevention and control on the relevant person. We enhanced the coordination and cooperation between the Head Office and branches, so as to jointly prevent and control risks and monitor public opinions on cases and material risk events. We conducted inspection on reputation risks to identify potential reputation risks of our branches and business lines, strengthened the public opinion analysis, warning and response guidance of our branches and business lines, and enhanced the risk isolation. We prepared materials on reputation risk prevention and carried out analysis and conclusion of typical cases of reputation risk events and shared related experiences. We provided training on reputation risks management for personnel who are responsible for reputation risk management and person-in-charge of outlets, so as to enhance the handling of reputation risk events. We refined the establishment of the official Weibo of the Bank and detected and solved potential negative public opinions in Weibo in a timely manner. Through operating trial official Weibo websites for tier-1 branches, refining the establishment of the official Weibo and enhancing the interaction between Weibo for customer services and other official Weibo, we might be informed of enquiries and complaints from customers in a timely manner and we were able to analyze potential negative public opinions and prevent and resolve reputation risks promptly.

Country Risk

Country risk represents risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which result in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank on lead to business loss or other losses suffered by the Bank.

We strictly complied with the regulatory requirements of the CBRC and involved country risk management into our comprehensive risk management system. We managed country risk through various instruments such as country risk evaluation and rating, exposure limit management, risk exposure statistics, general analysis and monitoring, monitor and analysis of risk factors and stress tests. We carry out rating and limit verification of country risk at least once a year and make timely adjustment based on risk status.

In the first half of 2014, in response to the complicated and changing international situation, we continued to strengthen the country risk management, refined the country risk management system and procedures, and improved the country risk management. We closely monitored the daily changes of risk exposure. We also tracked, monitored and reported country risk continuously in order to adjust country risk rating and limit in a timely manner. Risk alert mechanism was strengthened and stress tests for country risk were performed to maintain effective management and control over country risk, while we were steadily promoting the strategy of "expanding our business into international market".

Capital Adequacy Ratio Information

Capital Management

During the reporting period, we strictly complied with the capital plan for 2013–2015 and the capital adequacy ratio plan for 2013–2018, adhered to our general principle of capital management and the target of capital adequacy ratio, and enhanced the capital constraint and returns. The Bank also established a comprehensive and effective capital management mechanism, to ensure the capital adequacy ratio can cover risks, create value and comply with regulatory requirements continuously.

During the reporting period, we were approved to implement advanced approaches of capital management with effect from the second quarter. CBRC set the parallel run period to the commercial banks having the approval of implementing advanced approaches of capital management. The parallel run period will last for at least three consecutive years from the end of the year in which the bank was permitted to adopt advanced approaches of capital management. During the parallel run period, we will calculate the capital adequacy ratio in accordance with the advanced approaches of capital measurement required by the relevant authorities and other methods concurrently. We fully assessed the effect brought by the implementation of the advanced approaches of capital management, actively promoted the implementation work and took this opportunity to transform the business development model to capital-saving model.

During the reporting period, we constantly refined the structure of on- and off-balance sheet assets to further optimize the allocation of economic capital and focus on the strategic objectives of value creation and structural optimization so as to further enhance our capital management. Based on the improvement of the economic capital allocation among branches, we formed an economic capital constraint system for business lines step by step, which consolidated the capital constraint and improved the efficiency of resources allocation.

Financing Management

On 20 May 2014, the Bank fully redeemed two tranches of subordinated bonds for a term of ten years in an aggregate principal amount of RMB25 billion issued in May 2009.

On 7 July 2014, the Bank completed the listing of medium term notes USD15 billion on the Stock Exchange of Hong Kong Limited.

On 18 August 2014, upon the approval from the CBRC and PBOC, the Bank issued Tier 2 capital bonds of RMB30 billion in the national inter-bank bond market. The bonds are of a fixed rate for a term of 10 years. The coupon rate is 5.8% and the issuer is entitled to a conditional redemption right from the end of the fifth year onwards.

For details of the above financing activities, please refer to relevant announcements of the Bank published on the websites of the Shanghai Stock Exchange (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and our portal web. For details of the issuance of preference shares of the Bank, please refer to "Significant Events".

Capital Adequacy Ratio Information

We disclosed the following information regarding capital adequacy ratios in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*, issued by the CBRC. Financial data and indicators recorded in this section are prepared in accordance with CASs.

On 2 April 2014, the CBRC approved the Bank to implement the non-retail FIRB approach and the retail IRB approach for credit risk and standardized approach for operational risk at the Bank and the Group level. The Bank was thus one of the first batch of banks to implement the advanced capital management approaches. In accordance with the requirements under the *Capital Rules for Commercial Banks (Provisional)*, CBRC determines the parallel run period for a commercial bank approved to adopt the advanced capital measurement approaches. During the parallel run period, the banks shall calculate its capital adequacy ratios under both advanced approaches and other approaches, and shall comply with the capital floor requirements. Due to the changes in calculation approach, requirements on regulatory adjustment and the capital floor requirement, the result of capital adequacy ratio was affected.

Scope of the calculation of capital adequacy ratios

The calculation of consolidated capital adequacy ratios incorporates all domestic and overseas branches of the Bank and its directly or indirectly invested financial institutions (excluding the insurance company) as prescribed by the *Capital Rules for Commercial Banks (Provisional)*. The calculation of unconsolidated capital adequacy ratios incorporates all of our domestic and overseas branches.

Capital adequacy ratios and risk-weighted assets

We calculated the credit risk-weighted assets by non-retail FIRB approach and retail IRB approach, credit risk-weighted assets which were not covered by IRB approach by weighted approach, and market risk-weighted assets and operational risk-weighted assets by standardized approach. The table below sets out the measurement of total capital, risk-weighted assets and capital adequacy ratios pursuant to the *Capital Rules for Commercial Banks (Provisional)*.

In millions of RMB, except for percentages

	30 June 2014		31 December 2013	
Item	**The Group**	**The Bank**	**The Group**	**The Bank**
CET 1 capital	901,163	894,156	838,473	831,648
Tier 1 capital	901,165	894,156	838,474	831,648
Total capital	1,238,975	1,231,591	1,074,967	1,067,420
Risk-weighted assets	10,422,045	10,357,455	9,065,631	9,004,578
Credit risk-weighted assets	7,638,604	7,574,123	8,220,434	8,162,538
Market risk-weighted assets	76,497	75,443	57,123	56,806
Operational risk-weighted assets	780,949	777,757	788,074	785,234
Additional risk-weighted assets due to the capital floor requirement and adjustment	1,925,995	1,930,132	—	—
CET 1 capital adequacy ratio	8.65%	8.63%	9.25%	9.24%
Tier 1 capital adequacy ratio	8.65%	8.63%	9.25%	9.24%
Capital adequacy ratio	11.89%	11.89%	11.86%	11.85%

Notes:

1. *As at 31 December 2013, the Bank calculated the credit risk-weighted assets by weighted approach, the market risk-weighted assets by standardized approach, and the operational risk-weighted assets by basic indicator approach. Based on this approach, the consolidated CET1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio as at 30 June 2014 were 9.15%, 9.15% and 11.50%, respectively.*
2. *During the parallel run period, while calculating the credit risk-weighted asset by IRB approach, the amount of excess loan loss provisions beyond the provision coverage ratio cap of 150% were all qualified as Tier 2 capital. Besides, with the requirement of capital floor adjustment coefficients as 95%, the difference between excess loan loss provisions qualified as Tier 2 capital calculated using the advanced capital measurement approach and those calculated using other approaches was multiplied by 9.52 and recorded in risk-weighted assets. So, during the parallel run period, the CET1 capital adequacy ratio and Tier 1 capital adequacy ratio of the Bank decreased in accordance with the advanced capital measurement approach because the risk-weighted assets increased as a result of the reversal of excess loan loss provisions. In accordance with the requirement of Basel III, the excess loan loss provisions calculated using the comparable method of international banks was qualified as Tier 2 capital. That is, while calculating the credit risk weighted assets by IRB approach, the excess loan loss provisions were qualified as Tier 2 capital up to 0.6% of credit risk-weighted assets. Besides, with the requirement of capital floor adjustment coefficients as 95%, the difference between excess loan loss provisions qualified as Tier 2 capital calculated using the advanced capital measurement approach and those calculated using other approaches was multipled by 9.52 and recorded in risk-weighted assets. Implementing the above method, the excess loan loss provisions qualified as Tier 2 capital calculated using the advanced capital measurement approach were less than those calculated using other approaches. At 30 June 2014, the consolidated CET1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio would increase to 9.97%, 9.97% and 11.96%, using the advanced capital measurement approach.*

During the phase-in period, the consolidated and unconsolidated capital adequacy ratios calculated in accordance with the *Rules for the Management of Capital Adequacy Ratio of Commercial Banks* are shown below.

	As at 30 June 2014		As at 31 December 2013	
Item	**The Group**	**The Bank**	**The Group**	**The Bank**
Core capital adequacy ratio	9.75%	9.79%	9.81%	9.82%
Capital adequacy ratio	12.01%	12.03%	12.57%	12.55%

Risk Exposures

Credit risk

The credit risk exposures calculated by non-retail FIRB approach, retail IRB approach and weighted approach are shown below.

In millions of RMB

Item	Risk exposures	Risk-weighted assets
Credit risk exposures covered by IRB approach	9,894,487	5,693,953
Non-retail credit risk	7,637,654	5,119,953
Retail credit risk	2,250,066	568,539
Counterparty credit risk	6,767	5,461

Item	Risk exposures	Risk-weighted assets
Credit risk exposures which are not covered by IRB approach	7,709,671	1,944,651
On-balance sheet credit risk	7,410,186	1,754,818
Of which: asset securitization	4,977	2,388
Off-balance sheet credit risk	292,021	182,958
Counterparty credit risk	7,464	6,875

Please see the section headed "Discussion and Analysis — Risk Management" for details of overdue loans, non-performing loans and allowance for impairment losses on loans.

Market Risk

The capital requirements of market risk of the Bank measured by standard approach are shown below.

In millions of RMB

Item	Capital requirements
Interest rate risk	1,068
Equity risk	—
Foreign exchange risk	5,004
Commodity risk	35
Option risk	13
Total	**6,120**

The risk exposures of equities in the banking book of the Bank are shown below.

In millions of RMB

Item	Risk exposures of listed equity	Risk exposures of unlisted equities	Unrealized gains (losses)
Financial Institutions	265	750	240
Corporations	—	1,854	(91)
Total	**265**	**2,604**	**149**

Please see "Discussion and Analysis — Risk Management" for details of interest rate risk management of the Bank.

Operational Risk

The operational risk capital requirement of the Bank calculated by standardized approach is RMB62,476 million. Please see "Discussion and Analysis — Risk Management" for details of operational risk management.

Contrast Between Regulatory Consolidation and Accounting Consolidation

The Bank prepared the balance sheet of the Group in accordance with regulatory consolidation standards pursuant to the *Capital Rules for Commercial Banks (Provisional)* and the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policies for the Capital Regulation*. The contrast between the items of regulatory consolidation and accounting consolidation is shown in the table below.

In millions of RMB

Item	Balance sheet as in financial statement	Balance sheet under regulatory consolidation	Code
Assets			
Cash and balances at central banks	2,851,344	2,851,302	A01
Deposits with banks and other financial institutions	523,899	518,389	A02
Placements with and loans to banks and other financial institutions	547,064	547,064	A03
Financial assets at fair value through profit or loss	351,373	351,372	A04
Derivative financial assets	6,592	6,592	A05
Financial assets held under resale agreements	750,986	750,886	A06
Interest receivables	95,215	94,675	A07
Loans and advances to customers	7,503,254	7,502,891	A08
Available-for-sale financial assets	826,749	822,542	A09
Hold-to-maturity investments	1,636,625	1,629,503	A10
Debt securities classified as receivables	596,824	588,017	A11
Investments in associates and joint ventures	—	2,852	A12
Fixed assets	148,126	147,749	A13
Land use rights	23,468	23,450	A14
Deferred tax assets	70,334	70,306	A15
Goodwill	1,381	—	A16
Intangible assets	2,671	2,485	A17
Other assets	70,707	60,030	A18
Total assets	**16,006,612**	**15,970,105**	A00

Item	Balance sheet as in financial statement	Balance sheet under regulatory consolidation	Code
Liabilities			
Borrowings from central bank	141	141	L01
Deposits from banks and other financial institutions	912,712	914,721	L02
Placements from banks and other financial institutions	231,128	231,128	L03
Financial liabilities at fair value through profit or loss	307,762	307,762	L04
Financial assets sold under repurchase agreements	123,922	123,280	L05
Due to customers	12,809,504	12,809,514	L06
Derivative financial liabilities	5,603	5,603	L07
Bond payables and certificate of deposit issued	275,358	275,358	L08
Employee salary payables	42,385	42,148	L09
Taxes payables	32,864	32,857	L10
Interest payables	171,223	171,255	L11
Deferred tax liabilities	5	5	L12
Provisions	8,966	8,966	L13
Other liabilities	177,302	140,526	L14
Total liabilities	**15,098,875**	**15,063,264**	L00
Owner's equity			
Paid-in capital	324,794	324,794	E01
Capital reserve	92,438	92,406	E02
Surplus reserve	60,689	60,688	E03
General risk reserve	156,673	156,673	E04
Undistributed profits	272,499	272,680	E05
Foreign currency conversion reserve	(877)	(876)	E06
Minority interests	1,521	476	E07
Total owner's equity	**907,737**	**906,841**	E00

Composition of Capital

The following table sets out the composition of our regulatory capital.

		As at the end of the reporting period	Code
Common Equity Tier 1 capital			
1	Paid-in capital	324,794	E01
2	Retained earnings	490,041	
2a	Surplus reserve	60,688	E03
2b	General risk reserve	156,673	E04
2c	Undistributed profits	272,680	E05
3	Accumulated other comprehensive income and disclosed reserves	91,530	
3a	Capital reserve	92,406	E02
3b	Others	(876)	E06
4	Directly issued capital subject to phase out from Common Equity Tier 1 capital (only applicable to non-joint stock companies)	—	
5	Common share capital issued by subsidiaries and held by third parties	159	
6	**Common Equity Tier 1 capital before regulatory adjustments**	906,524	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudent valuation adjustments	—	
8	Goodwill (net of deferred tax liability)	—	A16
9	Other intangible assets other than land use rights (net of deferred tax liability)	2,485	A17
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	
11	Cash-flow hedge reserves	—	
12	Shortfall of provisions to expected losses on loans	—	
13	Securitization gain on sale (as set out in paragraph 562 of Basel II framework)	—	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	—	
15	Defined-benefit pension fund net assets (net of deferred tax liability)	—	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	—	
17	Reciprocal cross-holdings in common equity	—	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	—	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) institutions	—	
20	Mortgage servicing rights	N/A	

		As at the end of the reporting period	Code
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	—	
22	Amount exceeding the 15% threshold	—	
23	of which: significant investments in the common stock of financials	—	
24	of which: mortgage servicing rights	N/A	
25	of which: deferred tax assets arising from temporary differences	—	
26a	Investment in Common Equity Tier 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	2,876	
26b	Shortfall of Common Equity Tier 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	—	
26c	Total other items deductible from Common Equity Tier 1 capital	—	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	—	
28	**Total regulatory adjustments to Common Equity Tier 1 capital**	5,361	
29	**Common Equity Tier 1 capital (CET1)**	901,163	
Additional Tier 1 capital			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	—	
31	of which: classified as equity	—	
32	of which: classified as liabilities	—	
33	Directly issued capital instruments subjects to phase out from Additional Tier 1	—	
34	Additional Tier 1 instruments issued by subsidiaries and held by third parties (amount allowed in group AT1)	2	
35	of which: instruments issued by subsidiaries subject to phase out	(3)	
36	**Additional Tier 1 capital before regulatory adjustment**	2	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	—	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	—	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	—	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	—	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	—	
41c	Other items deductible from Additional Tier 1 capital	—	
42	Amount deductible from Additional Tier 2 capital but not yet deducted	—	
43	**Total regulatory adjustments to Additional Tier 1 capital**	—	
44	**Additional Tier 1 capital**	2	
45	**Tier 1 capital (Common Equity Tier 1 capital + Additional Tier 1 capital)**	901,165	

		As at the end of the reporting period	Code
Tier 2 capital			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	120,000	
47	Directly issued capital instruments subject to phase out from Tier 2	120,000	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	8	
49	of which: instruments issued by subsidiaries subject to phase out	(3)	
50	Provisions	217,802	
51	**Tier 2 capital before regulatory adjustments**	337,810	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	—	
53	Reciprocal cross-holdings in Tier 2 instruments	—	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	—	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	—	
56a	Investments in Tier 2 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	—	
56b	Shortfall of Tier 2 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	—	
56c	Other items deductible from Tier 2 capital	—	
57	**Total regulatory adjustments in Tier 2 capital**	—	
58	**Tier 2 capital**	337,810	
59	**Total capital (Tier 1 capital + Tier 2 capital)**	1,238,975	
60	**Total risk weighed assets**	10,422,045	
Capital adequacy ratios and reserve capital requirements			
61	Common Equity Tier 1 capital adequacy ratio	8.65%	
62	Tier 1 capital adequacy ratio	8.65%	
63	Capital adequacy ratio	11.89%	
64	Institution specific capital requirement	7.50%	
65	of which: reserve capital requirement	2.50%	
66	of which: countercyclical capital requirement	0%	
67	of which: additional capital requirement for G-SIB	0%	
68	Common Equity Tier 1 capital available to meet buffers (as a percentage of risk weighted assets)	2.65%	
National minima			
69	Common Equity Tier 1 capital adequacy ratio	5%	
70	Tier 1 capital adequacy ratio	6%	
71	Capital adequacy ratio	8%	

		As at the end of the reporting period	Code
Amounts not deducted from the thresholds for deduction			
72	Non-significant investments in the capital of other unconsolidated financial institutions	33,895	
73	Significant investments in the common stock of unconsolidated financial institutions	513	
74	Mortgage servicing rights (net of related tax liability)	N/A	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	70,301	A15-L12
Applicable caps on the inclusion of over-provision for loss on loans in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standard approach	34,675	
77	Cap on inclusion of provisions in Tier 2 under standard approach	21,240	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach	302,970	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	196,562	
Capital instruments subject to phase-out arrangements			
80	Amount included in Common Equity Tier 1 capital due to transitional arrangements	—	
81	Amount excluded from Common EquityTier 1 capital due to transitional arrangements	—	
82	Amount included in Additional Tier 1 capital due to transitional arrangements	—	
83	Amount excluded from Additional Tier 1 capital due to transitional arrangements	—	
84	Amount included in Tier 2 instruments due to transitional arrangements	120,000	
85	Amount excluded from Tier 2 due to transitional arrangements	5,000	

Main Features of Eligible Capital Instruments

As of 30 June 2014, the eligible capital instruments of the Bank primarily included the ordinary shares issued by the Bank in the Shanghai Stock Exchange and the Hong Kong Stock Exchange. During the period from 2009 to 2012, the Bank issued in aggregate subordinated bonds amounting to RMB150 billion in the PRC inter-bank bond market, which remain RMB125 billion at present. Pursuant to the Capital Rules for Commercial Banks (Provisional), the amount of conventional subordinated bonds that can be included in regulatory capital shall be reduced year by year since 2013, and as of 30 June 2014, the aggregate amount that could be included in Tier 2 capital was RMB120 billion. The following table sets forth the main features of eligible capital instruments of the Bank.

No.	Main features of eligible capital instruments	Ordinary shares (A shares)	Ordinary shares (H shares)
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	601288	1288
3	Governing laws of the instruments	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Law of the People's Republic of China on Commercial Banks, Rules Governing the Listing of Stocks on Shanghai Stock Exchange, etc.	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Law of the People's Republic of China on Commercial Banks, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, etc.
	Regulatory treatments		
4	of which: application of the phase-in rules of Capital Rules for Commercial Banks (Provisional)	Common Equity Tier 1 capital	Common Equity Tier 1 capital
5	of which: application of the phase-out rules of Capital Rules for Commercial Banks (Provisional)	Common Equity Tier 1 capital	Common Equity Tier 1 capital
6	of which: eligible at the Bank/the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Ordinary share	Ordinary share
8	Recognized in regulatory capital (in million RMB, most recent reporting date)	294,055	30,739
9	Par value	RMB1	RMB1
10	Accounting classification	Equity	Equity
11	Original date of issuance	15 July 2010	16 July 2010
12	Dated or perpetual	Perpetual	Perpetual

No.	Main features of eligible capital instruments	Ordinary shares (A shares)	Ordinary shares (H shares)
13	of which: original maturity date	No	No
14	Issuer call subject to prior regulatory approval	No	No
15	of which: optional call date, contingent call dates and redemption amount	—	—
16	of which: subsequent call dates, if applicable	—	—
	Dividends		
17	of which: fixed or floating dividend	Floating	Floating
18	of which: dividend rate and any related index	Subject to the Board's resolution	Subject to the Board's resolution
19	of which: existence of a dividend stopper	No	No
20	of which: fully discretionary, partially discretionary or mandatory	Fully discretionary	Fully discretionary
21	of which: existence of step up or other incentive to redeem	No	No
22	of which: cumulative or noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	of which: if convertible, conversion trigger(s)	—	—
25	of which: if convertible, fully or partially	—	—
26	of which: if convertible, determination of conversion rate	—	—
27	of which: if convertible, mandatory or optional conversion	—	—
28	of which: if convertible, instrument type convertible into	—	—
29	of which: if convertible, issuer of instrument it converts into	—	—
30	Write-down	No	No
31	of which: if write-down, write-down trigger(s)	—	—
32	of which: if write-down, fully or partially	—	—
33	of which: if write-down, permanent or temporary	—	—
34	of which: if temporary write-down, write-up mechanism	—	—
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments
36	Non-eligible transitioned features	No	No
37	of which: if yes, specify non-eligible features	—	—

Changes in Share Capital

Details of changes in share capital

Unit: Share

	31 December 2013		Increase/decrease during the reporting period (+, –)			30 June 2014	
	Number of shares	Percentage (%)	New shares issued	Others[3]	Subtotal	Number of shares	Percentage[4] (%)
1) Shares subject to restrictions on sales[1]	**9,891,764,707**	**3.0**	—	—	—	**9,891,764,707**	**3.0**
1. State-owned shares[2]	9,891,764,707	3.0	—	—	—	9,891,764,707	3.0
2. Shares held by other domestic investors[2]	—	—	—	—	—	—	—
3. Shares held by foreign investors[2]	—	—	—	—	—	—	—
2) Shares not subject to restrictions on sales	**314,902,352,293**	**97.0**	**—**	**—**	**—**	**314,902,352,293**	**97.0**
1. RMB-denominated ordinary shares	284,163,529,197	87.5	—	—	—	284,163,529,197	87.5
2. Foreign-invested shares listed overseas[2]	30,738,823,096	9.5	—	—	—	30,738,823,096	9.5
3) Total number of shares	**324,794,117,000**	**100.0**	**—**	**—**	**—**	**324,794,117,000**	**100.0**

Notes: 1. "Shares subject to restrictions on sales" refers to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations and rules or undertakings.

2. In this table, "State-owned shares" refers to the shares held by the MOF, Huijin, the SSF and the SSF-Account III for state-owned shares transfer which is managed by the SSF. "Shares held by other domestic investors" refers to the shares held by strategic investors of A shares and the allottees of A shares under off-line placement. "Shares held by foreign investors" refers to the shares held by foreign cornerstone investors. "Foreign-invested shares listed overseas" refers to the H shares as defined in No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding (Revision 2007) of the CSRC.

3. In this table, "Others" refers to the shares released from restrictions on sales due to the expiry of the lock-up period relating to such shares. Positive numbers represent increases whereas negative numbers represent decreases.

4. Figures in the "Percentage" column of the table above are rounded to the nearest decimal number.

Details of changes in shares subject to restrictions on sales

Unit: Share

Name of shareholders	Number of shares subject to restrictions on sales as at the beginning of the period	Number of shares released/ decreased from restrictions on sales during the period	Increase in the number of shares subject to restrictions on sales during the period	Number of shares subject to restrictions on sales as at the end of the period	Reason for restrictions on sales	Date of release of restrictions on sales
SSF[1]	9,891,764,707	—	—	9,891,764,707	Restrictions upon issuance	15 May 2015
Total	**9,891,764,707**	**—**	**—**	**9,891,764,707**	**—**	**—**

Note: 1. Refers to the shares held by the SSF and the shares held by the SSF-Account III for state-owned shares transfer pursuant to the requirements of state-owned shares transfer.

Particulars of Shareholders

Number of shareholders and particulars of shareholding

As of 30 June 2014, the Bank had a total of 292,366 shareholders, including 28,285 H share shareholders and 264,081 A share shareholders.

Particulars of shareholding of the top 10 shareholders (the shareholding of H share shareholders is based on the data set out in the register of shareholders of the Bank maintained in the H share registrar)

Unit: Share

Total number of shareholders	**292,366** (as set out in the registers of shareholders of A shares and H shares as of 30 June 2014)						
Particulars of shareholding of the top 10 shareholders (the data below are based on the registers of shareholders as of 30 June 2014)							
Name of shareholders	**Nature of shareholders**	**Type of shares**	**Increase/ decrease during the reporting period (+, -)**	**Shareholding percentage (%)**	**Total number of shares held**	**Number of shares subject to restrictions on sales**	**Number of pledged or locked-up shares**
Huijin	State-owned	A shares	—	40.28	130,831,990,282	—	None
MOF	State-owned	A shares	—	39.21	127,361,764,737	—	None
HKSCC Nominees Limited	Overseas legal entity	H shares	-3,517,000	9.04	29,347,183,140	—	Unknown
SSF	State-owned	A shares	—	3.02	9,797,058,826	9,797,058,826	None
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	Other	A shares	—	1.48	4,812,906,379	—	None
SSF-Account III for state-owned shares transfer	State-owned	A shares	—	0.41	1,325,882,341	94,705,881	None
Standard Chartered Bank	Overseas legal entity	H shares	—	0.37	1,217,281,000	—	Unknown
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Other	A shares	-199,359,528	0.37	1,188,757,000	—	None
State Grid Yingda International Holdings Group Limited	Other	A shares	—	0.23	746,268,000	—	None
China Shuangwei Investment Corporation	Other	A shares	—	0.23	746,268,000	—	None

Note: All the shares held by HKSCC Nominees Limited represent the total number of H shares held by it as an agent on behalf of all institutional and individual investors registered with it as of 30 June 2014.

Apart from the SSF-Account III for state-owned shares transfer which is managed by the SSF, the Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Unit: Share

Particulars of shareholding of the top 10 shareholders not subject to the restrictions on sales
(the data below are based on the registers of shareholders as of 30 June 2014)

Name of shareholders	Number of shares not subject to restrictions on sales	Type of shares
Huijin	130,831,990,282	A shares
MOF	127,361,764,737	A shares
HKSCC Nominees Limited	29,347,183,140	H shares
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary Insurance Products	4,812,906,379	A shares
SSF-Account III for state-owned shares transfer	1,231,176,460	A shares
Standard Chartered Bank	1,217,281,000	H shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	1,188,757,000	A shares
State Grid Yingda International Holdings Group Limited	746,268,000	A shares
China Shuangwei Investment Corporation	746,268,000	A shares
China Railway Construction Investment Company	742,974,000	A shares

The Bank is not aware of any connections between the above shareholders or whether they are parties acting in concert.

Shareholdings of substantial shareholders

During the reporting period, the Bank's substantial shareholders and controlling shareholders remained unchanged. The Bank had no de facto controller.

MOF

The MOF, established in October 1949, is a ministry under the State Council, and is a regulatory authority responsible for matters in respect of state finance and taxation policies.

As of 30 June 2014, the MOF held 127,361,764,737 shares of the Bank, accounting for approximately 39.21% of the total share capital of the Bank.

Huijin

Huijin was established through state investment in accordance with the Company Law of the PRC on 16 December 2003 as a wholly state-owned company with a registered capital of RMB828,209 million. The organizational code of Huijin is 71093296-1 and its legal representative is Mr. DING Xuedong. The State Council has authorized Huijin to make equity investments in major state-owned financial enterprises to preserve and appreciate the value of these invested ventures. Huijin, to the extent of its capital contribution, can exercise rights and assume obligations as an investor on behalf of the state. Huijin does not engage in other commercial activities nor intervene in the daily operations of key state-owned financial enterprises which are controlled by Huijin.

As of 30 June 2014, Huijin held 130,831,990,282 shares of the Bank, accounting for approximately 40.28% of the total share capital of the Bank.

As of 30 June 2014, there was no other corporate shareholder who held 10% or more of the equity interest in the Bank.

Interests and short positions held by substantial shareholders and other persons

As of 30 June 2014, the Bank received notifications from the following persons regarding their interests and short positions in shares or underlying shares of the Bank. Such interests and short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Underlying interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
MOF	Beneficial owner/ nominee[1]	138,682,352,926 (A shares)[2]	Long position	47.16	42.70
Huijin	Beneficial owner	130,000,000,000 (A shares)[3]	Long position	44.21	40.03
Qatar Investment Authority	Interests of controlled corporation[4]	5,512,060,000 (H shares)	Long position	17.93	1.70
Qatar Holding LLC	Beneficial owner	5,512,060,000 (H shares)	Long position	17.93	1.70
Capital Research and Management Company	Investment manager	3,701,373,000 (H shares)	Long position	12.04	1.14
Citigroup Inc.	Interest of controlled corporation	2,258,829,403 (H shares)	Long position	7.34	0.70
	custodian corporation/ approved lending agent	302,172,314 (H shares)	Short position	0.98	0.09
	security interest	2,110,329,725 (H shares)	Lending pool	6.86	0.65
JPMorgan Chase & Co.	Beneficial owner	2,166,135,931 (H shares)	Long position	7.04	0.67
	Investment manager	461,324,321 (H shares)	Short position	1.50	0.14
	custodian corporation/ approved lending agent	999,949,939 (H shares)	Lending pool	3.25	0.31
Blackrock, Inc.	Interests of controlled corporation	1,950,386,185 (H shares)	Long position	6.35	0.60
		636,000 (H shares)	Short position	0.00	0.00

Notes: 1. 10,976,470,582 A shares are held by the SSF but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010.

2. According to the register of shareholders of the Bank as of 30 June 2014, the MOF held 127,361,764,737 A shares of the Bank, accounting for 43.31% of the issued A shares and 39.21% of the total issued shares of the Bank.

3. According to the register of shareholders of the Bank as of 30 June 2014, Huijin held 130,831,990,282 A shares of the Bank, accounting for 44.49% of the issued A shares and 40.28% of the total issued shares of the Bank.

4. Qatar Investment Authority is deemed to be interested in 5,512,060,000 H shares of the Bank held by Qatar Holding LLC, a wholly-owned subsidiary of Qatar Investment Authority.

Directors, Supervisors and Senior Management of the Bank

As of the date of the interim results announcement for six months ended 30 June 2014, the compositions of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank were as follows:

The Board of Directors of the Bank consisted of 14 members, including four Executive Directors, namely Mr. JIANG Chaoliang, Mr. ZHANG Yun, Mr. GUO Haoda and Mr. LOU Wenlong; five Non-executive Directors, namely Mr. SHEN Bingxi, Mr. CHENG Fengchao, Mr. XIAO Shusheng, Mr. ZHAO Chao and Mr. ZHOU Ke; and five Independent Non-executive Directors, namely Mr. Anthony WU Ting-yuk[1], Mr. QIU Dong, Mr. Frederick MA Si-hang, Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan.

The Board of Supervisors of the Bank consisted of seven members, including two Supervisors representing shareholders, namely Mr. CHE Yingxin or Mr. WANG Xingchun; four Supervisors representing employees, namely Mr. JIA Xiangsen, Mr. ZHENG Xin, Mr. ZHANG Jianzhong or Mr. XIA Zongyu; and one External Supervisor, namely Mr. DAI Genyou.

The Senior Management of the Bank consisted of eight members, namely Mr. ZHANG Yun, Mr. GUO Haoda, Mr. CAI Huaxiang, Mr. GONG Chao, Mr. LOU Wenlong, Mr. WANG Wei, Mr. LI Zhenjiang and Mr. ZHU Gaoming.

As of 30 June 2014, except for Mr. ZHENG Xin, our Supervisor, and Mr. ZHU Gaoming, our Secretary to the Board of Directors, who held 500,000 and 1,000 A shares of the Bank, respectively, none of the incumbent or former Directors, Supervisors or Senior Management held shares of the Bank. During the reporting period, none of the incumbent or former Directors, Supervisors or Senior Management held share options or were granted restricted shares of the Bank.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 23 June 2014, Mr. Frederick MA Si-hang and Mr. WEN Tiejun were re-elected as our Independent Non-executive Directors at the 2013 annual general meeting of the Bank.

On 23 June 2014, Mr. ZHOU Ke was elected as our Non-executive Director at the 2013 annual general meeting of the Bank. The qualification of Mr. ZHOU Ke was approved by the CBRC on 31 July 2014.

On 28 July 2014, Mr. LI Yelin ceased to act as our Non-executive Director due to the expiry of his term.

On 5 August 2014, Mr. LIN Damao resigned as our Non-executive Director due to his age.

1 *On 22 July 2014, the Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants ordered removal of the name of Mr. Anthony WU Ting-yuk from the register of certified public accountants for a period of 2 years and payment of HK$250,000 to the Hong Kong Institute of Certified Public Accountants for some of his practice between 31 December 1995 and 31 December 1997. For details, please refer to the announcements published by the Bank on the website of the Hong Kong Stock Exchange dated 31 December 2013 and 24 July 2014, respectively.*

Changes in Supervisors

On 25 April 2014, Mr. LIU Hong resigned as our Supervisor representing shareholders due to other work commitment.

On 23 June 2014, Mr. WANG Xingchun was elected as our Supervisor representing shareholders at the 2013 annual general meeting of the Bank.

Changes in Senior Management

On 25 March 2014, Mr. ZHU Gaoming was appointed as the Secretary to the Board of Directors and concurrently as the Company Secretary and Authorised Representative of the Bank in the second meeting of the Board of Directors for 2014. The appointment of Mr. ZHU Gaoming as our Company Secretary and Authorized Representative was approved by the Hong Kong Stock Exchange with effect from 27 March 2014, and Mr. LI Zhenjiang ceased to act as our Company Secretary and Authorized Representative. On 9 May 2014, the qualification of Mr. ZHU Gaoming to act as the Secretary to the Board of Directors of the Bank was approved by the CBRC and Mr. LI Zhenjiang ceased to act as our Secretary to the Board of Directors.

Corporate Governance

During the reporting period, we strictly complied with the laws and regulations including the *Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China* and normative documents of the regulatory authorities. We further enhanced our corporate governance and operation by strengthening the basic management principles.

During the reporting period, in accordance with relevant laws and regulations such as the *State Council Guidance on the Pilot Scheme of Preference Shares* and the *Administrative Guidelines on the Pilot Scheme of Preference Shares* stipulated by the CSRC, and taking into consideration of the *Issuance Plan of the Preference Shares* of the Bank, we amended the Articles of Association, which was approved by the CBRC. In accordance with the relevant requirements of the *Measures for Assessment of Case Prevention and Control of Financial Institutions in Banking Sector* stipulated by the CBRC, we also renamed the "Audit Committee" under the Board of Directors to the "Audit and Compliance Committee" in order to strengthen compliance management and case prevention and control of the Board of Directors.

Corporate Governance Code

During the reporting period, we complied with all the principles and code provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

Internal Control and Internal Audit

Internal Control

During the first half of 2014, the Bank strictly implemented the *Basic Rules on Enterprise Internal Control* and its implementation measures as well as various regulatory requirements. We strengthened the management of branch outlets and the basic management principles, and continuously improved the comprehensive internal control system with the orientation of compliance culture and the support of information technology.

We continued to promote the establishment of compliance culture and the compliance with laws and regulations by all staff. Based on our experience in the establishment of compliance culture in 2013, we promoted the establishment of a long-term mechanism for our compliance culture in accordance with the *Guidelines on the Establishment and Development of Compliance Culture*.

We strengthened the management of our information system and the monitor of our compliance risks. We enhanced the collection, integration and analysis of compliance risk information and prepared the compliance report for 2013, which provided a comprehensive assessment on the characteristics and trends of changes of the compliance risks of the Bank to effectively support our business operation as well as risk prevention and control.

We continued to establish our internal control and compliance management system to ensure sustainable development. Firstly, we improved our regulation system. We complied annual formation and revision plans for the regulation system of the Head Office and continuously promoted the pilot work of standardization, streamlining and chart presentation of the regulation system. Secondly, we continuously improved our quality control system. We formulated the work plan for internal control evaluation for 2014, focused on the establishment of standards for various levels to promote internal control of branches under evaluation. We enhanced our daily management of rectification and improvement, formulated the criterion for completion of rectification and improvement and improved the elaborateness of the management of rectification and improvement. Thirdly, we established a well-coordinated internal supervision system. We coordinated annual examination plans of the Head Office according to the principle of comprehensive risk coverage, key area inspection, arrangement by segments and reasonable integration. We specified the management processes and work requirements under each examination plan, standardized the formulation of examination plan for branches and organized the inspections for case prevention for 2014 on different levels.

Internal Audit

During the reporting period, in accordance with the strategic decisions of the Board of Directors and external regulatory requirements, we adopted a risk-oriented approach to focus on the audit of wholesale and retail loans, loans to Sannong, financial management and credit card business. We implemented the audit on economic responsibilities of the Senior Management, infrastructure projects and certain overseas institutions. In addition, we facilitated the informatization of audit, refined the internal audit system and strengthen the basic management principles of the Bank and the healthy development of our businesses.

Profits and Dividends Distribution

As approved by the 2013 annual general meeting of the Bank, the Bank paid cash dividend to A share shareholders and H share shareholders whose names appeared on the Bank's register of shareholders at the close of business on 2 July 2014. The cash dividend was RMB1.77 per ten shares (tax included), with a total of RMB57,489 million (tax included). The Bank does not propose to pay any interim dividend for 2014 and will not increase share capital by capitalizing its capital reserve.

Implementation of the Cash Dividend Policy

The formulation and implementation of the Bank's cash dividend policy complies with the Articles of Association and the resolutions of the shareholders' general meeting of the Bank. The decision making procedures and mechanism for cash dividend are complete, and the basis and proportion for dividend distribution are clearly identified. Our Independent Non-executive Directors have diligently performed their duties, duly played their roles and issued their opinions. Our minority shareholders have opportunities to fully express their opinions and requests and their legitimate interests have been adequately protected.

Material Legal Proceedings and Arbitration and Matters of Public Concern

During the reporting period, there were no legal proceedings, arbitration or matters with material impact on the business operations of the Bank.

As of 30 June 2014, unresolved legal proceedings in which the Bank was a defendant, a respondent or a third person involved amounted to approximately RMB2,935 million. The management of the Bank believes that we have made full provisions for the possible losses arising from such legal proceedings and such events will not have any material adverse effect on our financial position or operation results.

Major Acquisition, Disposal and Merger

During the reporting period, the Bank did not have any major acquisition, disposal and merger.

Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

During the reporting period, the Bank extended loans to related natural person (as defined in the *Administrative Measures on Information Disclosure by Listed Companies* issued by the CSRC). Such loans were in compliance with our pricing requirements and guarantees were provided for such loans. As of 30 June 2014, the total balance of such loans amounted to RMB2.064 million, and the condition for such loans was normal.

Use of Proceeds

The proceeds of the Bank's initial public offering in 2010 were used to strengthen the Bank's capital base to support the ongoing growth of its business in accordance with the use of proceeds disclosed in the prospectus.

Major Projects Invested with Non-raised Funds

During the reporting period, the Bank had no significant projects invested with non-raised funds.

Material Contracts and Performance of Obligations thereof

Material Custody, Contract and Lease

During the reporting period, the Bank did not enter into any material custody, contracting or leasing arrangements of assets of other companies and no other companies entered into any material custody, contracting or leasing arrangements of our assets.

Material Guarantees

The provision of guarantees is one of the recurring off-balance sheet businesses of the Bank. During the reporting period, the Bank did not have any material guarantees that were required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBRC.

Issuance of Preference Shares

The Bank proposed to issue no more than 800 million domestic preference shares in the amount of no more than RMB80 billion in compliance with the qualification requirements of other Tier 1 capital instruments stipulated by the CBRC, among which no more than 400 million preference shares will be issued in 2014, with a total proceeds not exceeding RMB40 billion. The proceeds from such issuance will be used to replenish other Tier 1 capital of the Bank.

The Board of Directors and the shareholders' general meeting of the Bank have considered and approved the relevant resolutions relating to the issuance of the preference shares. For details of the relevant resolutions, please refer to the announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk). As of the date of the interim results announcement for six months ended 30 June 2014, the Bank has received the approval from the CBRC and the issuance of preference shares is subject to the approval by the CSRC and other relevant regulatory authorities.

Commitments Made by the Bank or its Shareholders Holding 5% Shares or above

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	(1) so long as Huijin continues to hold any of our shares and is deemed to be a controlling shareholder or a related person of a controlling shareholder or the de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, Huijin will immediately cease to participate in, manage or engage in such competing commercial banking activities. (2) if Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities. (3) notwithstanding the above provisions (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, may through its investments in other companies (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies) operate or participate in any competing commercial banking activities in China or abroad.	15 July 2010	Valid for long term	Continuous commitment and duly performed

Subject of commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
		(4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, will treat its investments in commercial banks on an equal footing, and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks, and will avoid such circumstances arising. It will exercise its shareholder's rights in our best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment as our shareholder to maximize our best interests, such judgment will not be affected by its investments in other commercial banks.			
SSF	Lock-up of shares	The purchased shares held by the SSF are subject to a lockup period of five years commencing on the transaction completion date or three years commencing on the pricing date of our initial public offering, whichever is longer. Prior to the first anniversary following the expiration of the lock-up period, the SSF is allowed to transfer no more than 30% in aggregate of the purchased shares (including any split shares, bonus shares and allocated shares attached thereto) and prior to the second anniversary of the expiration of the lock-up period, the SSF is allowed to transfer no more than 60% in aggregate of the purchased shares (including any split shares, bonus shares and allocated shares attached thereto), provided that our initial public offering is completed within five years following the transaction completion date.	21 April 2010	21 April 2017	Not due and duly performed

Penalties Imposed on the Bank and Directors, Supervisors, Senior Management and Shareholders Holding 5% Shares or above of the Bank

During the reporting period, neither we nor any of our Directors, Supervisors or Senior Management was subject to any inspection, administrative penalty or criticism by the CSRC, denunciation by stock exchanges or any sanction imposed by other regulatory authorities that have material impact over the operation of the Bank.

Purchase, Sale or Redemption of the Bank's Shares

During the reporting period, the Bank and its subsidiaries did not purchase, sell or redeem any of the listed shares of the Bank.

Implementation of Share Incentive Plan

During the reporting period, the Bank did not implement any share incentive plan.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank confirm that they have complied with such code of conduct during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of 30 June 2014, the Bank had not granted any rights to acquire shares or debentures to any of its Directors or Supervisors, nor was any of such rights exercised by any of the Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to obtain benefits by means of acquiring shares or debentures of the Bank or any other corporations.

Interests in Shares, Underlying Shares and Debentures Held by Directors and Supervisors

As of 30 June 2014, Mr. ZHENG Xin, Supervisor of the Bank, held 500,000 A Shares of the Bank and Mr. ZHU Gaoming, Secretary to the Board of Directors, held 1,000 A Shares of the Bank. Save for the above, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which required notification to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests and short positions in which they are deemed to have under such provisions of the Securities and Futures Ordinance of Hong Kong), or which were required to be recorded in the register referred to in Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to the section headed "Changes in Share Capital and Shareholdings of Substantial Shareholders".

Interim Review

The 2014 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs were reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the PRC and International Standards on Review Engagements, respectively.

Our interim report has been reviewed and approved by the Board of Directors and the Audit and Compliance Committee of the Board of Directors of the Bank.

Change of External Auditors

During the reporting period, there was no change of the external auditors of the Bank.

Interim Financial Report

Report on Review of Interim Financial Information

pwc

羅兵咸永道

To the Board of Directors of Agricultural Bank of China Limited

(Incorporated in the People's Republic of China with Limited Liability)

Introduction

We have reviewed the interim financial information set out on pages 99 to 197, which comprises the condensed consolidated interim statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2014

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Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2014	**2013**
		(Unaudited)	**(Unaudited)**
Interest income	6	337,832	296,463
Interest expense	6	(128,394)	(116,461)
Net interest income	6	209,438	180,002
Fee and commission income	7	50,441	49,721
Fee and commission expense	7	(2,593)	(2,124)
Net fee and commission income	7	47,848	47,597
Net trading gain	8	2,798	2,073
Net gain on financial instruments designated at fair value through profit or loss	9	533	90
Net gain on investment securities		25	334
Other operating income	10	7,267	5,948
Operating income		267,909	236,044
Operating expenses	11	(103,386)	(94,071)
Impairment losses on assets	12	(28,939)	(22,471)
Profit before tax		135,584	119,502
Income tax expense	13	(31,517)	(27,118)
Profit for the period		104,067	92,384
Attributable to:			
Equity holders of the Bank		104,032	92,352
Non-controlling interests		35	32
		104,067	92,384
Earnings per share attributable to the equity holders of the Bank (Expressed in RMB per share)			
— Basic and diluted	15	0.32	0.28

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2014 (Unaudited)	**2013 (Unaudited)**
Profit for the period	104,067	92,384
Other comprehensive income/(expenses):		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets	21,899	(1,815)
Income tax impact for fair value changes on available-for-sale financial assets	(5,405)	419
Foreign currency translation differences	128	(281)
Other comprehensive income/(expenses), net of tax	16,622	(1,677)
Total comprehensive income for the period	120,689	90,707
Total comprehensive income attributable to:		
Equity holders of the Bank	120,597	90,683
Non-controlling interests	92	24
	120,689	**90,707**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

At 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Assets			
Cash and balances with central banks	16	2,851,344	2,603,802
Deposits with banks and other financial institutions	17	523,899	397,678
Precious metals		21,211	19,185
Placements with and loans to banks and other financial institutions	18	547,064	308,655
Financial assets held for trading	19	59,508	53,864
Financial assets designated at fair value through profit or loss	20	291,865	269,018
Derivative financial assets	21	6,592	8,186
Financial assets held under resale agreements	22	750,986	737,052
Loans and advances to customers	23	7,503,254	6,902,522
Available-for-sale financial assets	24	826,749	781,311
Held-to-maturity investments	25	1,636,625	1,523,815
Debt instruments classified as receivables	26	596,824	592,090
Investments in associates and joint ventures		—	1
Property and equipment	27	148,126	150,859
Goodwill		1,381	1,381
Deferred tax assets	28	70,334	74,075
Other assets	29	170,850	138,608
Total assets		16,006,612	14,562,102
Liabilities			
Borrowings from central bank		141	104
Deposits from banks and other financial institutions	30	912,712	729,354
Placements from banks and other financial institutions	31	231,128	174,363
Financial liabilities held for trading	32	28,152	20,805
Financial liabilities designated at fair value through profit or loss	33	279,610	285,454
Derivative financial liabilities	21	5,603	7,635
Financial assets sold under repurchase agreements	34	123,922	26,787
Due to customers	35	12,809,504	11,811,411
Debt securities issued	36	275,358	266,261
Deferred tax liabilities	28	5	8
Dividends payable	14	57,489	—
Other liabilities	37	375,251	395,383
Total liabilities		15,098,875	13,717,565

At 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Equity			
Share capital	38	324,794	324,794
Capital reserve	39	98,773	98,773
Investment revaluation reserve	40	(6,335)	(22,772)
Surplus reserve	41	60,689	60,632
General reserve	42	156,673	139,204
Retained earnings		272,499	243,482
Foreign currency translation reserve		(877)	(1,005)
Equity attributable to equity holders of the Bank		906,216	843,108
Non-controlling interests		1,521	1,429
Total equity		907,737	844,537
Total equity and liabilities		16,006,612	14,562,102

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved and authorized for issue by the Board of Directors on 26 August 2014.

中国农业银行股份有限公司

Chairman

Executive Director

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank									
	Notes	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 1 January 2014 (Audited)		324,794	98,773	(22,772)	60,632	139,204	243,482	(1,005)	843,108	1,429	844,537
Profit for the period		—	—	—	—	—	104,032	—	104,032	35	104,067
Other comprehensive income		—	—	16,437	—	—	—	128	16,565	57	16,622
Total comprehensive income for the period		—	—	16,437	—	—	104,032	128	120,597	92	120,689
Appropriation to surplus reserve		—	—	—	57	—	(57)	—	—	—	—
Appropriation to general reserve	42	—	—	—	—	17,469	(17,469)	—	—	—	—
Dividends	14	—	—	—	—	—	(57,489)	—	(57,489)	—	(57,489)
As at 30 June 2014 (Unaudited)		**324,794**	**98,773**	**(6,335)**	**60,689**	**156,673**	**272,499**	**(877)**	**906,216**	**1,521**	**907,737**
As at 1 January 2013 (Audited)		324,794	98,773	(901)	43,996	75,349	208,488	(684)	749,815	1,539	751,354
Profit for the period		—	—	—	—	—	92,352	—	92,352	32	92,384
Other comprehensive expenses		—	—	(1,388)	—	—	—	(281)	(1,669)	(8)	(1,677)
Total comprehensive (expenses)/ income for the period		—	—	(1,388)	—	—	92,352	(281)	90,683	24	90,707
Appropriation to surplus reserve		—	—	—	37	—	(37)	—	—	—	—
Appropriation to general reserve	42	—	—	—	—	63,829	(63,829)	—	—	—	—
Dividends	14	—	—	—	—	—	(50,830)	—	(50,830)	—	(50,830)
As at 30 June 2013 (Unaudited)		324,794	98,773	(2,289)	44,033	139,178	186,144	(965)	789,668	1,563	791,231
Profit for the period		—	—	—	—	—	73,963	—	73,963	(136)	73,827
Other comprehensive expenses		—	—	(20,483)	—	—	—	(40)	(20,523)	4	(20,519)
Total comprehensive (expenses) /income for the period		—	—	(20,483)	—	—	73,963	(40)	53,440	(132)	53,308
Appropriation to surplus reserve		—	—	—	16,599	—	(16,599)	—	—	—	—
Appropriation to general reserve		—	—	—	—	26	(26)	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(2)	(2)
As at 31 December 2013 (Audited)		**324,794**	**98,773**	**(22,772)**	**60,632**	**139,204**	**243,482**	**(1,005)**	**843,108**	**1,429**	**844,537**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2014
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2014 (Unaudited)	**2013 (Unaudited)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	135,584	119,502
Adjustments for:		
Amortization of intangible assets and other assets	1,265	1,118
Depreciation of property and equipment	8,069	7,326
Impairment losses on assets	28,939	22,471
Interest income arising from investment securities	(58,074)	(50,369)
Interest income arising from impaired loans and advances to customers	(380)	(358)
Interest expense on debt securities issued	4,741	4,118
Net gain on investment securities	(25)	(334)
Net gain on disposal of investment in subsidiaries, associates and joint ventures	—	(304)
Net gain on disposal of property, equipment and other assets	(208)	(84)
Net foreign exchange (gain)/loss	(1,301)	3,509
	118,610	106,595
Net change in operating assets and operating liabilities:		
Net increase in balances with central banks, deposits with banks and other financial institutions	(266,160)	(272,945)
Net increase in placements with and loans to banks and other financial institutions	(45,738)	(6,142)
Net decrease/(increase) in financial assets held under resale agreements	64,541	(181,431)
Net increase in loans and advances to customers	(621,335)	(514,808)
Net increase in borrowings from central bank	37	24
Net increase in placements from banks and other financial institutions	56,765	79,408
Net increase in due to customers and deposits from banks and other financial institutions	1,181,451	620,263
Increase in other operating assets	(55,684)	(119,448)
Increase in other operating liabilities	98,596	177,576
Cash from/(used in) operations	531,083	(110,908)
Income tax paid	(51,485)	(46,678)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	479,598	(157,586)

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		280,469	271,517
Cash received from interest income arising from investment securities		45,570	40,392
Cash received from disposal of investment in subsidiaries, associates and joint ventures		1	411
Cash received from other investing activities		651	206
Cash paid for purchase of investment securities		(421,384)	(450,725)
Cash paid for purchase of property and equipment and other assets		(9,019)	(9,102)
NET CASH USED IN INVESTING ACTIVITIES		(103,712)	(147,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from debt securities issued		106,204	58,410
Repayments of debt securities issued		(97,126)	(29,181)
Cash payments for interest on debt securities issued		(5,885)	(5,036)
NET CASH FROM FINANCING ACTIVITIES		3,193	24,193
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		379,079	(280,694)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		813,799	952,936
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		656	(2,187)
CASH AND CASH EQUIVALENTS AT 30 JUNE	**43**	**1,193,534**	**670,055**
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		265,520	238,340
Interest paid		(114,604)	(104,197)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1 GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000005472 issued by the State Administration of Industry and Commerce of the PRC. The registered office of the Bank is located at No.69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custody services, fund management, finance leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in the Mainland China are referred to as "Domestic Operations". Branches and subsidiaries registered and operating outside of the Mainland China are referred to as "Overseas Operations".

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

The condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013, which have been audited.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Standards and amendments effective in 2014 and adopted by the Group

In the current interim period, the Group has applied the following new and revised International Financial Reporting Standards ("IFRSs"), as well as certain amendments, issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for the current interim period. Description of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2013.

Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
IFRIC 21	Levies

The adoption of these new standards and amendments does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.

Standards and amendments that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective.

			Effective for annual period beginning on or after
Amendment to IAS 19 (as revised in 2011)	(1)	Employee Benefits — To Plans that Require Employees or Third Parties to Contribute Towards the Cost of Benefits	1 July 2014
Amendments to IFRSs	(1)	Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Amendments to IFRSs	(1)	Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014
IFRS 14	(2)	Regulatory Deferral Account	1 January 2016
Amendments to IFRS 11	(3)	Acquisition of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38	(4)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
IFRS 15	(5)	Revenue from Contracts with Customers	1 January 2017
IFRS 9	(6)	Financial Instruments	1 January 2018

3 PRINCIPAL ACCOUNTING POLICIES (continued)

Standards and amendments that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group (continued)

(1) Descriptions of these amendments were disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2013. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

(2) The IASB has issued IFRS 14 — Regulatory Deferral Accounts, an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). IFRS 14 is only applicable to entities that apply IFRS 1 — First-time Adoption of International Financial Reporting Standards as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral accounts. The Group anticipates that the adoption of this new standard will not have a significant impact on the Group's consolidated financial statements.

(3) The IASB has amended IFRS 11 — Joint Arrangements, to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(4) The amendments to IAS 16 — Property, plant and equipment, clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendments to IAS 38 — Intangible Assets, establish a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

(5) The IASB released IFRS 15 — Revenue from Contracts with Customers. This standard moves away from a revenue recognition model based on an "earnings process" to an "asset-liability" approach based on transfer of control. Performance obligations are the building blocks in the new revenue recognition model. The amount and timing of revenue recognition are determined at the performance obligation level. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to the customer. The Group is in the process of assessing the impact on the Group's consolidated financial statements from this new standard.

(6) The IASB has released the complete set of IFRS 9 — Financial Instruments, which will replace the current guidance in IAS 39 — Financial Instruments: Recognition and Measurement. IFRS 9 introduces a logical model for classification and measurement, which is driven by cash flow characteristics and the business model in which an asset is held. IFRS 9 also introduces a single, forward-looking expected loss impairment model that will require more timely recognition of expected credit losses. This expected loss impairment model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition, under which an entity is required to account for expected credit losses from day one and to recognize full lifetime expected losses on a more timely basis. In addition, as part of IFRS 9, a substantially-reformed approach to hedge accounting is also introduced, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. The Group is in the process of assessing the impact on the Group's consolidated financial statements from this new standard.

(Amounts in millions of Renminbi, unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2013.

5 LIST OF SUBSIDIARIES

The following are the principal subsidiaries of the Bank as at 30 June 2014:

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD2,913,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB2,000,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,000	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB200,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(1)	12 August 2008	Hubei, PRC	RMB20,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB20,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB100,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(2)	19 December 2005	Beijing, PRC	RMB2,032,653,061	51.00	51.00	Life insurance

During the six months ended 30 June 2014, there was no change in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

(1) *Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over this entity and has included it in its consolidation scope.*

(2) *At 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd., and renamed it as ABC Life Insurance Co., Ltd.. Arising from this acquisition, the Group recognized goodwill of RMB1,381 million as at 31 December 2012. During the six months ended 30 June 2014 and the year ended 31 December 2013, there was no objective evidence noted for any goodwill impaired.*

(3) *The consolidated structured entities are disclosed in Note 46 Structured Entities.*

(Amounts in millions of Renminbi, unless otherwise stated)

6 NET INTEREST INCOME

	Six months ended 30 June	
	2014	**2013**
Interest income		
Loans and advances to customers		
Including: Corporate loans and advances	157,996	143,101
Personal loans and advances	66,456	54,049
Discounted bills	2,674	3,367
Held-to-maturity investments	31,240	24,990
Balances with central banks	19,524	18,409
Available-for-sale financial assets	16,320	15,224
Financial assets held under resale agreements	15,857	14,127
Debt instruments classified as receivables	10,514	10,155
Deposits with banks and other financial institutions	9,959	8,937
Placements with and loans to banks and other financial institutions	6,120	3,406
Financial assets held for trading	1,019	579
Financial assets designated at fair value through profit or loss	153	119
Subtotal	337,832	296,463
Interest expense		
Due to customers	(106,491)	(95,322)
Deposits from banks and other financial institutions	(11,931)	(12,228)
Placements from banks and other financial institutions	(4,504)	(4,573)
Debt securities issued	(4,741)	(4,118)
Financial assets sold under repurchase agreements	(726)	(219)
Borrowings from central bank	(1)	(1)
Subtotal	(128,394)	(116,461)
Net interest income	209,438	180,002
Interest income accrued on impaired financial assets (included within interest income)	380	358

(Amounts in millions of Renminbi, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2014	**2013**
Fee and commission income		
Agency services	13,237	12,502
Settlement and clearing services	12,383	12,080
Bank card	9,261	7,462
Consultancy and advisory services	7,876	10,046
Electronic banking services	3,855	3,108
Custodian and other fiduciary services	2,077	2,404
Credit commitment	1,637	1,484
Others	115	635
Subtotal	50,441	49,721
Fee and commission expense		
Bank card	(1,026)	(801)
Settlement and clearing services	(887)	(643)
Electronic banking services	(422)	(420)
Others	(258)	(260)
Subtotal	(2,593)	(2,124)
Net fee and commission income	**47,848**	**47,597**

8 NET TRADING GAIN

		Six months ended 30 June	
		2014	**2013**
Net gain on foreign exchange rate derivatives		1,473	1,358
Net (loss)/gain on interest rate derivatives		(6)	165
Net gain/(loss) on held-for-trading debt securities		839	(287)
Net gain on precious metals	(1)	492	837
Total		**2,798**	**2,073**

(1) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

9 NET GAIN ON FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2014	**2013**
Net gain on principal guaranteed wealth management products	495	226
Net gain/(loss) on debt securities	10	(146)
Others	28	10
Total	**533**	**90**

(Amounts in millions of Renminbi, unless otherwise stated)

10 OTHER OPERATING INCOME

	Six months ended 30 June	
	2014	**2013**
Insurance premium	4,884	4,020
Government grant	796	885
Net gain on foreign exchange	737	255
Gain on disposal of property and equipment	181	118
Rental income	160	186
Others	509	484
Total	**7,267**	**5,948**

11 OPERATING EXPENSES

		Six months ended 30 June	
		2014	**2013**
Staff costs	(1)	52,650	48,821
General operating and administrative expenses		17,245	17,893
Business tax and surcharges	(2)	14,457	13,657
Depreciation and amortization		9,334	8,444
Insurance benefits and claims		4,889	4,046
Others		4,811	1,210
Total		**103,386**	**94,071**

(1) Staff costs

	Six months ended 30 June	
	2014	**2013**
Salaries, bonuses, allowances and subsidies	34,304	31,742
Social insurance	9,325	8,169
Housing funds	3,814	3,357
Labor union fee and staff education expenses	1,515	1,406
Early retirement benefits	559	1,095
Others	3,133	3,052
Total	**52,650**	**48,821**

(2) Business tax for the Group's Domestic Operations is generally calculated as 5% of taxable income. Business tax was declared and paid with the local tax department by Domestic Operations.

In accordance with the "Circular regarding the Business Taxes Preferential Policies on Agriculture-related Loans Granted by the County Area Banking Division of Agricultural Bank of China Limited" (Cai Shui [2014] No.5), jointly issued by the MOF and the State Administration of Taxation on 10 January 2014, business tax of the Group's county-level sub-branches in the 19 provinces for the pilot program would be levied at 3% on interest income from agriculture-related loans from 1 November 2013 to 31 December 2015.

(Amounts in millions of Renminbi, unless otherwise stated)

11 OPERATING EXPENSES (continued)

Additionally, city construction and maintenance tax is calculated as 1%–7% of business tax for the Group's Domestic Operations.

Education surcharge is calculated as 3%–5% of business tax for the Group's Domestic Operations.

12 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2014	**2013**
Loans and advances to customers	27,085	22,211
Placements with and loans to banks and other financial institutions	988	159
Debt instruments classified as receivables	371	126
Held-to-maturity investments	171	138
Property and equipment	7	1
Deposits with banks and other financial institutions	—	(34)
Available-for-sale financial assets	(32)	(55)
Other assets	349	(75)
Total	**28,939**	**22,471**

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	**2013**
Current income tax		
— PRC Enterprise Income Tax	32,968	31,639
— Hong Kong Profits Tax	151	186
— Other jurisdictions	65	14
Subtotal	33,184	31,839
Deferred tax (Note 28)	(1,667)	(4,721)
Total	**31,517**	**27,118**

PRC Enterprise Income Tax is calculated at 25% of the estimated taxable profit for the current and prior periods, and also includes supplementary PRC tax on Overseas Operations as determined in accordance with the relevant PRC income tax rules and regulations. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions.

(Amounts in millions of Renminbi, unless otherwise stated)

13 INCOME TAX EXPENSE (continued)

The tax charges for the six months ended 30 June 2014 and 30 June 2013 can be reconciled to the profit per the condensed consolidated interim income statements as follows:

		Six months ended 30 June	
		2014	**2013**
Profit before tax		135,584	119,502
Tax calculated at applicable PRC statutory tax rate of 25%		33,896	29,876
Tax effect of items such as expenses not deductible for tax purpose		1,039	465
Tax effect of income not taxable for tax purpose	(1)	(3,414)	(3,214)
Effect of different tax rates in other jurisdictions		(4)	(9)
Income tax expense		**31,517**	**27,118**

(1) Non-taxable income primarily includes interest income from PRC treasury bonds.

14 DIVIDENDS

		Six months ended 30 June	
		2014	**2013**
Dividends recognized as distribution during the period			
Cash dividend related to 2013	(1)	57,489	—
Cash dividend related to 2012	(2)	—	50,830
		57,489	50,830

No dividends related to the period from 1 January to 30 June 2014 were paid, declared or proposed during the current period. The directors do not recommend any interim dividend for the six months ended 30 June 2014.

(1) Distribution of final dividend for 2013
A cash dividend of RMB0.177 per share related to 2013, amounting to RMB57,489 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2013 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 23 June 2014.

The above dividend was recognized as dividends payable as at 30 June 2014.

(2) Distribution of final dividend for 2012
A cash dividend of RMB0.1565 per share related to 2012, amounting to RMB50,830 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2012 as determined in accordance with the "PRC GAAP", at the annual general meeting held on 18 June 2013.

The above dividend was recognized as distribution during the six-month period ended 30 June 2013.

(Amounts in millions of Renminbi, unless otherwise stated)

15 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Six months ended 30 June	
	2014	**2013**
Earnings:		
Profit for the period attributable to equity holders of the Bank	104,032	92,352
Number of shares:		
Weight average number of ordinary shares in issue (million)	324,794	324,794
Basic and diluted earnings per share (RMB yuan)	0.32	0.28

There were no potential ordinary shares outstanding during the current and prior periods.

16 CASH AND BALANCES WITH CENTRAL BANKS

		30 June 2014	**31 December 2013**
Cash		93,420	99,759
Mandatory reserve deposits with central banks	(1)	2,411,901	2,279,918
Surplus reserve deposits with central banks	(2)	181,550	100,519
Other deposits with central banks	(3)	164,473	123,606
Total		**2,851,344**	**2,603,802**

(1) *The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.*

As at 30 June 2014, for Domestic Operations of the Bank which meet the requirements of "Notice on Differential Mandatory Reserve Deposits for the Sannong Banking Operations of Agricultural Bank of China Limited for 2013 issued by the People's Bank of China" (Yinbanfa [2013] No.57) and effective from 7 March 2013, RMB mandatory reserve deposits with the PBOC were based on 18% of qualified RMB deposits (31 December 2013: 18%), while for the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits were based on 20% of qualified RMB deposits (31 December 2013: 20%). Foreign currency mandatory reserve deposits were based on 5% (31 December 2013: 5%) of qualified foreign currency deposits from customers. Mandatory reserve deposits placed by the Bank's Overseas Operations were determined based on respective overseas regulatory requirements. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) *Surplus reserve deposits are deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing and allocation of position, etc.*

(3) *Other deposits with central banks primarily represent fiscal deposits placed with the PBOC that are not available for use in the Group's daily operations, of which fiscal deposits are non-interest bearing.*

(Amounts in millions of Renminbi, unless otherwise stated)

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2014	31 December 2013
Deposits with:		
Domestic banks	480,349	360,762
Other domestic financial institutions	3,359	1,713
Overseas banks	40,191	35,203
Total	**523,899**	**397,678**

As at 30 June 2014, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB523 million (31 December 2013: RMB1,205 million). These deposits were mainly pledged deposits with stock exchanges or pledged with overseas banks for the purpose of executing financial derivative transactions.

18 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2014	31 December 2013
Placements with and loans to:		
Domestic banks	102,739	81,436
Other domestic financial institutions	437,527	223,566
Overseas banks	8,361	4,228
Gross amount	548,627	309,230
Allowance for impairment losses — collectively assessed	(1,563)	(575)
Placements with and loans to banks and other financial institutions, net	**547,064**	**308,655**

19 FINANCIAL ASSETS HELD FOR TRADING

		30 June 2014	31 December 2013
Debt securities issued by:			
Governments		3,375	4,979
Public sector and quasi-governments		24,320	24,073
Financial institutions		—	474
Corporates		12,961	12,486
Subtotal		40,656	42,012
Equity instruments		—	48
Precious metal contracts		18,852	11,804
Total		59,508	53,864
Analyzed as:			
Listed outside Hong Kong	(1)	40,656	42,060
Unlisted		18,852	11,804
Total		**59,508**	**53,864**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

20 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2014	31 December 2013
Debt securities issued by:			
Governments		3,799	8,721
Public sector and quasi-government		25,214	25,983
Financial institutions		4,246	11,021
Corporates		5,608	12,282
Subtotal		38,867	58,007
Interests in trust products	(1)	187,209	171,280
Other debt instruments	(1)	65,190	38,710
Equity instruments		599	1,021
Total		**291,865**	**269,018**
Analyzed as:			
Listed in Hong Kong		123	183
Listed outside Hong Kong	(2)	29,992	43,255
Unlisted		261,750	225,580
Total		**291,865**	**269,018**

(1) Underlying assets of the trust products and other debt instruments held by the Group include credit assets, deposits with domestic banks and other domestic financial institutions and debt securities.

(2) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group primarily enters into foreign exchange rate, interest rate and precious metal derivative contracts related to trading, asset and liability management, and customer initiated transactions.

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized on the condensed consolidated interim statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

(Amounts in millions of Renminbi, unless otherwise stated)

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. As at 30 June 2014, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group. The Group did not elect to settle these financial assets and financial liabilities on a net basis. The Group does not hold any other financial instruments, other than derivatives, that are subject to master netting arrangements or similar agreements.

	30 June 2014		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	353,808	2,893	(1,671)
Currency swaps	467,304	2,389	(2,134)
Cross-currency interest rate swaps	11,440	172	(334)
Currency options	17,224	47	(95)
Subtotal		5,501	(4,234)
Interest rate derivatives			
Interest rate swaps	181,147	1,018	(1,144)
Precious metal contracts	10,871	73	(225)
Total derivative financial assets and liabilities		**6,592**	**(5,603)**

	31 December 2013		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards	256,278	1,624	(2,786)
Currency swaps	365,555	3,886	(2,215)
Cross-currency interest rate swaps	17,966	372	(678)
Currency options	11,864	33	(15)
Subtotal		5,915	(5,694)
Interest rate derivatives			
Interest rate swaps	165,722	1,637	(1,940)
Precious metal contracts	7,201	634	—
Others	1,494	—	(1)
Total derivatives financial assets and liabilities		**8,186**	**(7,635)**

(Amounts in millions of Renminbi, unless otherwise stated)

21 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

	30 June 2014
Credit risk weighted amount for counterparty	**12,336**

Credit risk weighted amount for derivative transaction counterparty represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 30 June 2014, credit risk weighted amount for derivative transaction counterparty was measured under the Internal Ratings-Based approach as disclosed in Note 50 Capital Management.

As at 31 December 2013, credit risk weighted amount for derivative transaction counterparty was RMB11,380 million, which was measured under the Weighted approach as disclosed in Note 50 Capital Management.

22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2014	31 December 2013
Analyzed by collateral type:		
Debt securities	357,526	402,454
Bills	388,603	332,921
Loans and others	4,857	1,677
Total	**750,986**	**737,052**

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in Note 47 Contingent Liabilities and Commitments — Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS

Analysis of loans and advances to customers:

	30 June 2014	31 December 2013
Corporate loans and advances		
Loans and advances	5,447,794	5,031,088
Discounted bills	85,603	97,993
Subtotal	5,533,397	5,129,081
Personal loans and advances	2,307,510	2,095,632
Gross loans and advances	7,840,907	7,224,713
Allowance for impairment losses		
Individually assessed	(52,288)	(50,127)
Collectively assessed	(285,365)	(272,064)
Total allowance for impairment losses	(337,653)	(322,191)
Loans and advances to customers, net	**7,503,254**	**6,902,522**

Analysis of loans and advances to customers by collective and individual assessments:

	Loans and advances for which the allowance is collectively assessed (1)	Identified impaired loans and advances (2)				
		For which the allowance is collectively assessed	For which the allowance is individually assessed	Subtotal	Total	Identified impaired gross loans and advances as a % of total gross loans and advances
30 June 2014						
Gross loans and advances	7,743,434	17,082	80,391	97,473	7,840,907	1.24
Allowance for impairment losses	(272,844)	(12,521)	(52,288)	(64,809)	(337,653)	
Loans and advances to customers, net	**7,470,590**	**4,561**	**28,103**	**32,664**	**7,503,254**	
31 December 2013						
Gross loans and advances	7,136,932	15,426	72,355	87,781	7,224,713	1.22
Allowance for impairment losses	(261,624)	(10,440)	(50,127)	(60,567)	(322,191)	
Loans and advances to customers, net	**6,875,308**	**4,986**	**22,228**	**27,214**	**6,902,522**	

(1) *Loans and advances for which the allowance is collectively assessed consist of loans and advances which have not been specifically identified as impaired.*

(2) *Identified impaired loans and advances include loans for which objective evidence of impairment exists and which have been identified as bearing impairment losses, which are measured either individually (corporate loans and advances) or collectively (personal loans and advances).*

(Amounts in millions of Renminbi, unless otherwise stated)

23 LOANS AND ADVANCES TO CUSTOMERS (continued)

Movements of the allowance for impairment losses on loans and advances to customers:

	Six months ended 30 June 2014		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2014	50,127	272,064	322,191
Impairment allowance on loans charged	16,030	38,794	54,824
Reversal of impairment allowance	(3,614)	(24,125)	(27,739)
Net additions	12,416	14,669	27,085
Write-offs and transfer out	(10,359)	(1,410)	(11,769)
Recovery of loans and advances written off in previous years	343	116	459
Unwinding of discount on allowance	(248)	(132)	(380)
Exchange difference	9	58	67
30 June 2014	**52,288**	**285,365**	**337,653**

	Year ended 31 December 2013		
	Individually assessed allowance	Collectively assessed allowance	Total
1 January 2013	52,242	227,746	279,988
Impairment allowance on loans charged	16,390	73,442	89,832
Reversal of impairment allowance	(10,785)	(26,921)	(37,706)
Net additions	5,605	46,521	52,126
Write-offs and transfer out	(7,842)	(1,942)	(9,784)
Recovery of loans and advances written off in previous years	600	220	820
Unwinding of discount on allowance	(454)	(239)	(693)
Exchange difference	(24)	(242)	(266)
31 December 2013	**50,127**	**272,064**	**322,191**

(Amounts in millions of Renminbi, unless otherwise stated)

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

		30 June 2014	31 December 2013
Debt securities issued by:			
Governments		144,198	149,808
Public sector and quasi-governments		432,049	409,382
Financial institutions		72,403	52,030
Corporates		174,661	167,724
Subtotal		823,311	778,944
Equity instruments		1,347	819
Fund investments		1,134	988
Others		957	560
Total		826,749	781,311
Analyzed as:			
Debt securities			
Listed in Hong Kong		17,591	14,442
Listed outside Hong Kong	(1)	791,648	749,029
Unlisted		14,072	16,033
Equity instruments, fund investments and others			
Listed outside Hong Kong		1,562	1,141
Unlisted	(2)	1,876	666
Total		**826,749**	**781,311**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

(2) Certain unlisted equity instruments are measured at cost because their fair value cannot be reliably measured.

25 HELD-TO-MATURITY INVESTMENTS

		30 June 2014	31 December 2013
Debt securities issued by:			
Governments		533,701	519,265
Public sector and quasi-governments		899,364	808,838
Financial institutions		48,507	29,688
Corporates		155,824	166,623
Gross amount		1,637,396	1,524,414
Allowance for impairment losses			
Collectively assessed		(771)	(599)
Held-to-maturity investments, net		1,636,625	1,523,815
Analyzed as:			
Listed in Hong Kong		1,151	715
Listed outside Hong Kong	(1)	1,629,035	1,521,141
Unlisted		6,439	1,959
Total		**1,636,625**	**1,523,815**

(1) Debt securities traded on the China Domestic Interbank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

26 DEBT INSTRUMENTS CLASSIFIED AS RECEIVABLES

		30 June 2014	31 December 2013
Debt instruments:			
Receivable from the MOF	(1)	362,054	362,054
Special government bond	(2)	93,300	93,300
Public sector and quasi-governments bonds		66,102	66,485
Financial institution bonds		31,213	27,124
Corporate bonds		31,758	31,018
Certificate treasury bonds and savings treasury bonds		4,345	6,037
Others		8,765	6,414
Gross amount, unlisted		597,537	592,432
Allowance for impairment losses			
Individually assessed		(45)	(44)
Collectively assessed		(668)	(298)
Total allowance for impairment losses		(713)	(342)
Debt instruments classified as receivables, net		**596,824**	**592,090**

(1) Pursuant to the "Notice on Relevant Issues Concerning the Disposal of Non-performing Assets of Agricultural Bank of China" (Caijin [2008] No.138) issued by the Ministry of Finance (the "MOF"), receivable from the MOF is to be settled annually over a tentative period of 15 years starting from 1 January 2008 and bears interest at 3.3% per annum.

(2) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregate principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, from 1 December 2008.

(Amounts in millions of Renminbi, unless otherwise stated)

27 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2014	124,294	55,314	4,746	28,682	213,036
Additions	543	931	14	4,112	5,600
Transfers	4,181	209	—	(4,390)	—
Disposals	(352)	(487)	(223)	—	(1,062)
30 June 2014	128,666	55,967	4,537	28,404	217,574
Accumulated depreciation					
1 January 2014	(31,529)	(27,400)	(2,947)	—	(61,876)
Charge for the period	(3,660)	(4,254)	(155)	—	(8,069)
Eliminated on disposals	218	365	219	—	802
30 June 2014	(34,971)	(31,289)	(2,883)	—	(69,143)
Allowance for impairment losses					
1 January 2014	(288)	(10)	(2)	(1)	(301)
Impairment loss	(1)	—	—	(6)	(7)
Eliminated on disposals	3	—	—	—	3
30 June 2014	(286)	(10)	(2)	(7)	(305)
Carrying value					
30 June 2014	93,409	24,668	1,652	28,397	148,126
1 January 2014	92,477	27,904	1,797	28,681	150,859

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2013	112,618	48,476	4,030	26,375	191,499
Additions	2,001	8,472	964	13,503	24,940
Transfers	10,196	1,000	—	(11,196)	—
Disposals	(521)	(2,634)	(248)	—	(3,403)
31 December 2013	124,294	55,314	4,746	28,682	213,036
Accumulated depreciation					
1 January 2013	(24,688)	(22,141)	(2,873)	—	(49,702)
Charge for the year	(7,011)	(7,795)	(313)	—	(15,119)
Eliminated on disposals	170	2,536	239	—	2,945
31 December 2013	(31,529)	(27,400)	(2,947)	—	(61,876)
Allowance for impairment losses					
1 January 2013	(293)	(10)	(3)	(1)	(307)
Impairment loss	(14)	—	—	—	(14)
Eliminated on disposals	19	—	1	—	20
31 December 2013	(288)	(10)	(2)	(1)	(301)
Carrying values					
31 December 2013	92,477	27,904	1,797	28,681	150,859
1 January 2013	87,637	26,325	1,154	26,374	141,490

(Amounts in millions of Renminbi, unless otherwise stated)

27 PROPERTY AND EQUIPMENT (continued)

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2014, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

The carrying amounts of buildings located on land with the following remaining lease terms are as follows:

	30 June 2014	31 December 2013
Held in Hong Kong		
on long-term lease (over 50 years)	84	83
Held outside Hong Kong		
on long-term lease (over 50 years)	4,622	4,451
on medium-term lease (10–50 years)	79,984	79,003
on short-term lease (less than 10 years)	8,719	8,940
Subtotal	93,325	92,394
Total	**93,409**	**92,477**

28 DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated interim statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	30 June 2014	31 December 2013
Deferred tax assets	70,334	74,075
Deferred tax liabilities	(5)	(8)
Net	70,329	74,067

(Amounts in millions of Renminbi, unless otherwise stated)

28 DEFERRED TAXATION (continued)

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2014	56,137	6,165	2,589	1,181	8,011	(16)	74,067
Credit/(charge) to the condensed consolidated interim income statement	2,034	180	(200)	1,060	(1,402)	(5)	1,667
Charge to other comprehensive income	—	—	—	—	(5,405)	—	(5,405)
30 June 2014	**58,171**	**6,345**	**2,389**	**2,241**	**1,204**	**(21)**	**70,329**

	Allowance for impairment losses	Accrued but not paid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
1 January 2013	46,289	6,388	2,944	879	437	(3)	56,934
Credit/(charge) to the consolidated income statement	9,848	(223)	(355)	302	347	(13)	9,906
Credit to other comprehensive income	—	—	—	—	7,227	—	7,227
31 December 2013	**56,137**	**6,165**	**2,589**	**1,181**	**8,011**	**(16)**	**74,067**

(Amounts in millions of Renminbi, unless otherwise stated)

28 DEFERRED TAXATION (continued)

(2) Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	30 June 2014		31 December 2013	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	232,742	58,171	224,604	56,137
Accrued but not paid staff cost	25,380	6,345	24,661	6,165
Fair value changes of financial instruments	16,621	4,155	42,899	10,725
Early retirement benefits	9,555	2,389	10,356	2,589
Provision	8,966	2,241	4,723	1,181
Others	41	10	40	9
Subtotal	293,305	73,311	307,283	76,806
Deferred tax liabilities				
Fair value changes of financial instruments	(11,803)	(2,951)	(10,857)	(2,714)
Others	(137)	(31)	(157)	(25)
Subtotal	(11,940)	(2,982)	(11,014)	(2,739)
Net	281,365	70,329	296,269	74,067

(Amounts in millions of Renminbi, unless otherwise stated)

29 OTHER ASSETS

		30 June 2014	31 December 2013
Interest receivable		95,215	75,022
Accounts receivable and temporary payments	(1)	28,655	18,656
Land use rights	(2)	23,468	23,857
Premiums receivable and reinsurance assets		10,663	9,346
Investment property		3,335	3,312
Long-term deferred expenses		3,285	3,480
Intangible assets		2,671	2,627
Foreclosed assets		571	873
Others		2,987	1,435
Total		**170,850**	**138,608**

(1) Accounts receivable and temporary payments primarily include items in the process of clearing and settlement.

(2) Land use rights

The carrying amount of land use rights (including leasehold land in Hong Kong) analysed by the remaining terms of the leases:

	30 June 2014	31 December 2013
Held in Hong Kong		
on long-term lease (over 50 years)	1,033	1,023
Held outside Hong Kong		
on long-term lease (over 50 years)	375	367
on medium-term lease (10-50 years)	22,019	22,402
on short-term lease (less than 10 years)	41	65
Subtotal	22,435	22,834
Total	**23,468**	**23,857**

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2014, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

(Amounts in millions of Renminbi, unless otherwise stated)

30 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2014	31 December 2013
Deposits from:		
Domestic banks	230,672	172,322
Other domestic financial institutions	667,720	547,711
Overseas banks	12,633	8,153
Other overseas financial institutions	1,687	1,168
Total	**912,712**	**729,354**

31 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2014	31 December 2013
Placements from:		
Domestic banks and other financial institutions	84,775	64,511
Overseas banks and other financial institutions	146,353	109,852
Total	**231,128**	**174,363**

32 FINANCIAL LIABILITIES HELD FOR TRADING

The financial liabilities held for trading are liabilities related to precious metal contracts.

33 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2014	31 December 2013
Principal guaranteed wealth management products	279,610	285,454

The Group designates wealth management products with principal guaranteed by the Group as financial liabilities at fair value through profit or loss. The corresponding investments are designated financial assets at fair value through profit or loss. As at 30 June 2014, the fair value of these products issued by the Group were lower than the contractual amount payable to the holders of these products upon maturity by RMB7,930 million (31 December 2013: RMB6,104 million).

For the six months ended 30 June 2014 and the year of 2013, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in the Bank's own credit risk.

(Amounts in millions of Renminbi, unless otherwise stated)

34 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2014	31 December 2013
Analyzed by type of collateral:		
Debt securities	123,292	26,391
Bills	32	37
Loans	598	359
Total	**123,922**	**26,787**

The collateral pledged under repurchase agreement is disclosed in Note 47 Contingent Liabilities and Commitments — Collateral.

35 DUE TO CUSTOMERS

		30 June 2014	31 December 2013
Demand deposits			
Corporate customers		3,072,911	3,014,858
Individual customers		3,557,457	3,437,661
Time deposits			
Corporate customers		1,571,898	1,345,988
Individual customers		3,828,852	3,490,197
Pledged deposits	(1)	357,527	247,656
Others		420,859	275,051
Total		**12,809,504**	**11,811,411**

(1) Analyzed by the activity to which the pledged deposits are related:

	30 June 2014	31 December 2013
Bank acceptances	132,821	89,842
Trade finance	70,558	30,305
Guarantee and letters of guarantee	50,898	45,625
Letters of credit	29,104	29,918
Others	74,146	51,966
Total	**357,527**	**247,656**

(Amounts in millions of Renminbi, unless otherwise stated)

36 DEBT SECURITIES ISSUED

		30 June 2014	31 December 2013
Bonds issued	(1)	151,952	156,300
Certificates of deposit issued	(2)	112,062	106,991
Interbank certificates of deposit issued	(3)	11,344	2,970
Total		**275,358**	**266,261**

As at 30 June 2014 and 31 December 2013, there was no default for these debt securities issued.

(1) The carrying value of the Group's bonds issued are as follows:

		30 June 2014	31 December 2013
4.0% subordinated fixed rate bonds maturing in May 2024	(i)	25,000	25,000
5.3% subordinated fixed rate bonds maturing in June 2026	(ii)	50,000	50,000
3.2% fixed rate RMB bonds maturing in November 2015	(iii)	1,000	1,000
4.99% subordinated fixed rate bonds maturing in December 2027	(iv)	50,000	50,000
Medium term notes issued	(v)	26,061	5,404
3.3% subordinated fixed rate bonds maturing in May 2019	(vi)	—	20,000
Subordinated floating rate bonds maturing in May 2019	(vii)	—	5,000
Total nominal value		152,061	156,404
Less: Unamortized issuance cost and discounts		(109)	(104)
Carrying value		**151,952**	**156,300**

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Bank are set out as below:

(i) *The subordinated fixed rate bonds issued in May 2009 have a tenor of 15 years, with a fixed coupon rate of 4.0%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 May 2019. If the Bank does not exercise this option, the coupon rate of the bonds will increase to 7.0% per annum from 20 May 2019 onwards.*

(ii) *The subordinated fixed rate bonds issued in June 2011 have a tenor of 15 years, with a fixed coupon rate of 5.3%, payable annually. The Bank has an option to redeem all of the bonds at face value on 7 June 2021. If the Bank does not exercise this option, the coupon rate of the bonds will remain at 5.3% per annum from 7 June 2021 onwards.*

(iii) *The RMB bonds issued in Hong Kong in November 2012 have a tenor of 3 years, with a fixed coupon rate 3.2%, payable semi-annually.*

(iv) *The subordinated fixed rate bonds issued in December 2012 have a tenor of 15 years, with a fixed coupon rate of 4.99%, payable annually. The Bank has an option to redeem all of the bonds at face value on 20 December 2022. If the Bank does not exercise this option, the coupon rate of the bonds will remain at 4.99% per annum from 20 December 2022 onwards.*

(Amounts in millions of Renminbi, unless otherwise stated)

36 DEBT SECURITIES ISSUED (continued)

(1) The carrying value of the Group's bonds issued are as follows (continued):

(v) *On 4 July 2013, the Bank's Hong Kong Branch was approved by the Stock Exchange of Hong Kong Limited for the listing of a Medium Term Note (MTN) Programme totaling USD5,000 million. As at 30 June 2014, the details of MTNs issued under this programme were as follows:*

	Maturity dates ranging from	Coupon rates (%)	Outstanding balance
Fixed rate RMB MTNs	July 2014 to December 2018	2.00–3.60	17,439
Fixed rate USD MTNs	November 2014 to December 2018	1.15–2.88	7,332
Floating rate USD MTNs	April 2015 to March 2017	3-month USD LIBOR plus 1.20 to 1.33 per annum	791
Fixed rate HKD MTN	May 2015	1.45	79
Zero coupon EUR MTN	December 2014	—	420
Total			**26,061**

(vi) *The subordinated fixed rate bonds issued in May 2009 had a tenor of 10 years, with a fixed coupon rate of 3.3%, payable annually. The Bank had an option and had exercised the option to redeem all of the bonds at face value on 20 May 2014.*

(vii) *The subordinated floating rate bonds issued in May 2009 had a tenor of 10 years. The coupon rate was based on the PBOC one-year fixed deposit rate on the issue date and reset annually plus 60 basis points. Interest was payable annually. The Bank had an option and had exercised the option to redeem all of the bonds at face value on 20 May 2014.*

(2) As at 30 June 2014, certificates of deposit were primarily issued by the Hong Kong Branch, the Singapore Branch, the New York Branch and the Tokyo Branch of the Bank and were measured at amortized cost.

(3) The Bank's head office issued three-month interbank certificates of deposit of RMB4,500 million and six-month interbank certificates of deposit of RMB7,000 million, respectively. These interbank certificates of deposit will mature in the second half year of 2014.

37 OTHER LIABILITIES

		30 June 2014	31 December 2013
Interest payable		171,223	163,328
Clearing and settlement		53,452	51,365
Staff costs payable	(1)	42,385	45,573
Insurance liabilities		36,901	30,864
Income taxes payable		25,963	44,263
Business and other taxes payable		6,901	7,492
Provision		8,966	4,723
Amount payable to the MOF	(2)	4,273	1,539
Dormant accounts		1,855	1,871
Others		23,332	44,365
Total		**375,251**	**395,383**

(Amounts in millions of Renminbi, unless otherwise stated)

37 OTHER LIABILITIES (continued)

(1) Staff costs payable

	Six months ended 30 June 2014			
	1 January	Accrued	Paid	30 June
Salaries, bonuses, allowances and subsidies (i)	24,973	34,304	(35,077)	24,200
Social insurance (i)	884	9,325	(8,745)	1,464
Housing funds	245	3,814	(3,604)	455
Labor union fees and staff education expenses	2,726	1,515	(675)	3,566
Early retirement benefits (ii)	10,356	559	(1,360)	9,555
Others	6,389	3,133	(6,377)	3,145
Total	**45,573**	**52,650**	**(55,838)**	**42,385**

	2013			
	1 January	Accrued	Paid	31 December
Salaries, bonuses, allowances and subsidies (i)	25,704	63,758	(64,489)	24,973
Social insurance (i)	1,866	16,939	(17,921)	884
Housing funds	301	7,213	(7,269)	245
Labor union fees and staff education expenses	2,304	2,827	(2,405)	2,726
Early retirement benefits (ii)	11,777	1,854	(3,275)	10,356
Others	5,745	12,138	(11,494)	6,389
Total	**47,697**	**104,729**	**(106,853)**	**45,573**

(i) Salaries, bonuses, allowances and subsidies, retirement benefits and other social insurance are timely distributed and paid in accordance with the related laws and regulations and the Group's policy.

(ii) Early retirement benefits

The amounts recognized in the condensed consolidated interim income statement in respect of the early retirement benefits are as follows:

	Six months ended 30 June	
	2014	2013
Interest cost	212	176
Actuarial loss recognized in the period	331	682
Past service cost	16	237
Total	**559**	**1,095**

(Amounts in millions of Renminbi, unless otherwise stated)

37 OTHER LIABILITIES (continued)

(ii) Early retirement benefits (continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	30 June 2014	31 December 2013
Discount rate	3.72%	4.38%
Annual average medical expense growth rate	8.00%	8.00%
Annual subsidies growth rate	8.00%	8.00%
Normal retirement age		
— Male	60	60
— Female	55	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (year 2000 — 2003) (published historical statistics in China).

During the six months ended 30 June 2014 and the year ended 31 December 2013, the Group had no default on the above staff costs payable.

(2) Amount payable to the MOF

Pursuant to the "Notice on Relevant Issues Concerning the Disposal of Non-performing Assets of Agricultural Bank of China" (Caijin [2008] No. 138) issued by the MOF, the MOF commissioned the Bank to manage and dispose of the non-performing assets transferred. The amount payable to the MOF represents proceeds collected by the Group from the disposal of these non-performing assets on behalf of the MOF.

38 SHARE CAPITAL

During the six months ended 30 June 2014 and the year ended 31 December 2013, there was no change in the Bank's share capital.

	As at 30 June 2014 and 31 December 2013	
	Number of shares (millions)	Nominal value
Registered, issued and fully paid:		
A shares of RMB1 each	294,055	294,055
H shares of RMB1 each	30,739	30,739
Total	**324,794**	**324,794**

(Amounts in millions of Renminbi, unless otherwise stated)

38 SHARE CAPITAL (continued)

A shares refer to the ordinary shares listed in Mainland China. They are offered and traded in RMB. H shares refer to the ordinary shares listed in Hong Kong. Their par value is denominated in RMB. They were initially offered and are currently traded in HKD.

As at 30 June 2014, 9,892 million A shares and none of the H shares of the Bank with par value of RMB1 per share were subject to lock-up restriction respectively (31 December 2013: 9,892 million A shares and none of the H shares, respectively).

39 CAPITAL RESERVE

The capital reserve represents the share premium related to ordinary shares issued by the Bank in 2010. Share premium was recorded in the capital reserve after deducting direct issue costs, which consisted primarily of underwriting fees and professional fees.

40 INVESTMENT REVALUATION RESERVE

	Six months ended 30 June 2014		
	Gross amount	**Tax effect**	**Net effect**
1 January 2014	(30,313)	7,541	(22,772)
Fair value changes on available-for-sale financial assets	21,876	(5,420)	16,456
Transferred to the condensed consolidated interim income statement upon disposal of available-for-sale financial assets	(25)	6	(19)
30 June 2014	**(8,462)**	**2,127**	**(6,335)**

	2013		
	Gross amount	**Tax effect**	**Net effect**
1 January 2013	(1,224)	323	(901)
Fair value changes on available-for-sale financial assets	(29,440)	7,306	(22,134)
Transferred to the consolidated income statement upon disposal of available-for-sale financial assets	351	(88)	263
31 December 2013	**(30,313)**	**7,541**	**(22,772)**

(Amounts in millions of Renminbi, unless otherwise stated)

41 SURPLUS RESERVE

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital.

Subject to the approval of the equity holders, the statutory surplus reserves can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserves amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the share capital.

42 GENERAL RESERVE

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF, effective 1 July 2012, in addition to the impairment allowance, the Bank establishes a General Reserve within equity holders' equity through the appropriation of profit to address unidentified potential impairment losses. The General Reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The General Reserve includes regulatory reserve appropriated by the Bank's overseas branches ("Overseas Institutions") pursuant to local regulatory requirements.

Pursuant to relevant PRC regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as General Reserves.

During the six months ended 30 June 2014, the Group transferred RMB17,469 million (six months ended 30 June 2013: RMB63,829 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB17,330 million (six months ended 30 June 2013: RMB63,482 million) related to the appropriation proposed for the year ended 31 December 2013 which was approved in the annual general meeting held on 23 June 2014.

43 CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated interim statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	30 June 2014	**30 June 2013**
Cash	93,420	79,283
Balance with central banks	192,437	107,943
Deposits with banks and other financial institutions	99,426	57,965
Placements with and loans to banks and other financial institutions	340,040	126,965
Financial assets held under resale agreements	468,211	297,899
Total	**1,193,534**	**670,055**

44 OPERATING SEGMENTS

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information. They are financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the condensed consolidated interim financial statements and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Bingtuan), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Overseas branches and subsidiaries

(Amounts in millions of Renminbi, unless otherwise stated)

44 OPERATING SEGMENTS (continued)

Geographical operating segments (continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2014										
External interest income	95,118	58,231	38,075	42,122	33,422	54,273	9,869	6,722	—	337,832
External interest expense	(8,455)	(28,143)	(15,969)	(23,920)	(19,239)	(21,930)	(6,755)	(3,983)	—	(128,394)
Inter-segment interest (expense)/income	(62,111)	11,058	5,259	15,434	13,441	12,819	4,323	(223)	—	—
Net interest income	24,552	41,146	27,365	33,636	27,624	45,162	7,437	2,516	—	209,438
Fee and commission income	5,752	9,624	8,386	7,107	7,280	9,750	2,017	525	—	50,441
Fee and commission expense	(240)	(588)	(479)	(403)	(372)	(442)	(67)	(2)	—	(2,593)
Net fee and commission income	5,512	9,036	7,907	6,704	6,908	9,308	1,950	523	—	47,848
Net trading gain	2,143	92	43	63	72	184	54	147	—	2,798
Net gain/(loss) on financial instruments designated at fair value through profit or loss	387	28	13	77	—	(3)	—	31	—	533
Net (loss)/gain on investment securities	(16)	—	—	—	—	—	—	41	—	25
Other operating income	(254)	520	310	339	193	992	67	5,100	—	7,267
Operating income	32,324	50,822	35,638	40,819	34,797	55,643	9,508	8,358	—	267,909
Operating expenses	(6,493)	(17,915)	(12,363)	(14,957)	(15,886)	(22,919)	(6,771)	(6,082)	—	(103,386)
Impairment losses on assets	(1,803)	(11,571)	(4,930)	(6,865)	(2,530)	774	(1,783)	(231)	—	(28,939)
Profit before tax	24,028	21,336	18,345	18,997	16,381	33,498	954	2,045	—	135,584
Income tax expense										(31,517)
Profit for the period										104,067
Depreciation and amortization included in operating expenses	(805)	(1,559)	(1,089)	(1,409)	(1,632)	(2,077)	(697)	(66)	—	(9,334)
Capital expenditure	723	668	810	1,430	779	1,345	251	544	—	6,550
As at 30 June 2014										
Segment assets	4,343,648	3,179,263	1,930,013	2,694,217	2,239,187	3,083,648	725,261	562,888	(2,821,847)	15,936,278
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	—	—	—
Unallocated assets										70,334
Total assets										16,006,612
Include: non-current assets(1)	10,342	36,263	18,064	28,832	28,487	39,584	12,172	8,521	—	182,265
Segment liabilities	(3,426,379)	(3,202,189)	(1,939,915)	(2,705,075)	(2,242,871)	(3,094,220)	(732,505)	(551,600)	2,821,847	(15,072,907)
Unallocated liabilities										(25,968)
Total liabilities										(15,098,875)
Credit commitments	30,425	480,366	242,325	397,641	163,547	242,216	50,919	67,570	—	1,675,009

(Amounts in millions of Renminbi, unless otherwise stated)

44 OPERATING SEGMENTS (continued)

Geographical operating segments (continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2013										
External interest income	85,010	53,006	32,458	36,902	28,172	47,974	8,559	4,382	—	296,463
External interest expense	(8,482)	(25,681)	(15,272)	(21,372)	(17,408)	(19,733)	(6,109)	(2,404)	—	(116,461)
Inter-segment interest (expense)/income	(66,472)	12,225	6,746	15,359	14,128	13,624	4,375	15	—	—
Net interest income	10,056	39,550	23,932	30,889	24,892	41,865	6,825	1,993	—	180,002
Fee and commission income	5,066	11,168	7,047	7,492	7,474	9,411	1,543	520	—	49,721
Fee and commission expense	(206)	(391)	(359)	(353)	(385)	(367)	(61)	(2)	—	(2,124)
Net fee and commission income	4,860	10,777	6,688	7,139	7,089	9,044	1,482	518	—	47,597
Net trading gain/(loss)	1,929	597	140	65	100	205	102	(1,065)	—	2,073
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(209)	23	4	210	(3)	(3)	—	68	—	90
Net gain on investment securities	5	—	—	—	—	—	—	329	—	334
Other operating income	(1,451)	507	194	293	442	759	45	5,159	—	5,948
Operating income	15,190	51,454	30,958	38,596	32,520	51,870	8,454	7,002	—	236,044
Operating expenses	(3,274)	(17,284)	(11,444)	(13,908)	(15,143)	(21,480)	(6,609)	(4,929)	—	(94,071)
Impairment losses on assets	(994)	(9,175)	(2,254)	(4,130)	(1,144)	(2,229)	(2,420)	(125)	—	(22,471)
Profit/(loss) before tax	10,922	24,995	17,260	20,558	16,233	28,161	(575)	1,948	—	119,502
Income tax expense										(27,118)
Profit for the period										92,384
Depreciation and amortization included in operating expenses	(672)	(1,513)	(926)	(1,264)	(1,493)	(1,879)	(636)	(61)	—	(8,444)
Capital expenditure	839	831	487	676	641	1,476	345	218	—	5,513
As at 31 December 2013										
Segment assets	3,753,134	2,952,862	1,781,197	2,504,764	2,070,925	2,892,185	656,673	411,586	(2,535,299)	14,488,027
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	1	—	1
Unallocated assets										74,075
Total assets										14,562,102
Include: non-current assets(1)	10,569	37,238	18,270	29,286	29,414	40,097	12,556	8,087	—	185,517
Segment liabilities	(3,010,413)	(2,937,132)	(1,770,841)	(2,490,676)	(2,059,375)	(2,876,763)	(660,204)	(403,189)	2,535,299	(13,673,294)
Unallocated liabilities										(44,271)
Total liabilities										(13,717,565)
Credit commitments	37,739	434,829	221,253	330,680	161,443	204,160	50,915	40,926	—	1,481,945

(1) *Non-current assets include property and equipment, investment properties, land use rights, intangible assets and other long-term assets.*

44 OPERATING SEGMENTS (continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products, corporate wealth management services and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instruments investments, precious metal transactions, and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

(Amounts in millions of Renminbi, unless otherwise stated)

44 OPERATING SEGMENTS (continued)

Business operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2014					
External interest income	171,392	66,243	98,405	1,792	337,832
External interest expense	(43,830)	(73,904)	(9,882)	(778)	(128,394)
Inter-segment interest (expense)/income	(9,663)	83,057	(73,394)	—	—
Net interest income	117,899	75,396	15,129	1,014	209,438
Fee and commission income	28,093	21,744	—	604	50,441
Fee and commission expense	(901)	(1,692)	—	—	(2,593)
Net fee and commission income	27,192	20,052	—	604	47,848
Net trading gain	—	—	2,771	27	2,798
Net gain on financial instruments designated at fair value through profit or loss	—	—	506	27	533
Net (loss)/gain on investment securities	—	—	(14)	39	25
Other operating income	661	561	735	5,310	7,267
Operating income	145,752	96,009	19,127	7,021	267,909
Operating expenses	(45,865)	(42,864)	(8,526)	(6,131)	(103,386)
Impairment losses on assets	(18,292)	(9,002)	(1,506)	(139)	(28,939)
Profit before tax	81,595	44,143	9,095	751	135,584
Income tax expense					(31,517)
Profit for the period					104,067
Depreciation and amortization included in operating expenses	(2,096)	(5,395)	(1,805)	(38)	(9,334)
Capital expenditure	1,301	3,731	1,504	14	6,550
As at 30 June 2014					
Segment assets	5,513,625	2,673,861	7,656,427	92,365	15,936,278
Including: Investments in associates and joint ventures	—	—	—	—	—
Unallocated assets					70,334
Total assets					16,006,612
Segment liabilities	(5,809,251)	(8,011,493)	(1,113,128)	(139,035)	(15,072,907)
Unallocated liabilities					(25,968)
Total liabilities					(15,098,875)
Credit commitments	1,365,527	309,482	—	—	1,675,009

(Amounts in millions of Renminbi, unless otherwise stated)

44 OPERATING SEGMENTS (continued)

Business operating segments (continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2013					
External interest income	145,512	54,051	95,592	1,308	296,463
External interest expense	(37,868)	(66,563)	(11,339)	(691)	(116,461)
Inter-segment interest (expense)/income	(7,070)	78,993	(71,923)	—	—
Net interest income	100,574	66,481	12,330	617	180,002
Fee and commission income	29,335	19,846	—	540	49,721
Fee and commission expense	(707)	(1,417)	—	—	(2,124)
Net fee and commission income	28,628	18,429	—	540	47,597
Net trading gain/(loss)	—	—	2,135	(62)	2,073
Net gain on financial instruments designated at fair value through profit or loss	—	—	39	51	90
Net gain on investment securities	—	—	5	329	334
Other operating income	574	433	556	4,385	5,948
Operating income	129,776	85,343	15,065	5,860	236,044
Operating expenses	(40,703)	(40,815)	(7,632)	(4,921)	(94,071)
Impairment losses on assets	(9,893)	(12,085)	(337)	(156)	(22,471)
Profit before tax	79,180	32,443	7,096	783	119,502
Income tax expense					(27,118)
Profit for the period					92,384
Depreciation and amortization included in operating expenses	(1,839)	(4,996)	(1,569)	(40)	(8,444)
Capital expenditure	1,205	3,274	1,028	6	5,513
As at 31 December 2013					
Segment assets	5,061,143	2,404,907	6,937,843	84,134	14,488,027
Including: Investments in associates and joint ventures	—	—	—	1	1
Unallocated assets					74,075
Total assets					14,562,102
Segment liabilities	(5,206,616)	(7,444,267)	(948,506)	(73,905)	(13,673,294)
Unallocated liabilities					(44,271)
Total liabilities					(13,717,565)
Credit commitments	1,181,880	300,065	—	—	1,481,945

44 OPERATING SEGMENTS (continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

44 OPERATING SEGMENTS (continued)

County Area and Urban Area segments (continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2014				
External interest income	80,286	257,546	—	337,832
External interest expense	(45,278)	(83,116)	—	(128,394)
Inter-segment interest income/(expense)	46,250	(46,250)	—	—
Net interest income	81,258	128,180	—	209,438
Fee and commission income	17,072	33,369	—	50,441
Fee and commission expense	(958)	(1,635)	—	(2,593)
Net fee and commission income	16,114	31,734	—	47,848
Net trading gain	138	2,660	—	2,798
Net (loss)/gain on financial instruments designated at fair value through profit or loss	(8)	541	—	533
Net gain on investment securities	—	25	—	25
Other operating income	1,145	6,122	—	7,267
Operating income	98,647	169,262	—	267,909
Operating expenses	(41,230)	(62,156)	—	(103,386)
Impairment losses on assets	(13,499)	(15,440)	—	(28,939)
Profit before tax	43,918	91,666	—	135,584
Income tax expense				(31,517)
Profit for the period				104,067
Depreciation and amortization included in operating expenses	(4,281)	(5,053)	—	(9,334)
Capital expenditure	1,599	4,951	—	6,550
As at 30 June 2014				
Segment assets	5,883,344	10,142,138	(89,204)	15,936,278
Including: Investments in associates and joint ventures	—	—	—	—
Unallocated assets				70,334
Total assets				16,006,612
Segment liabilities	(5,578,144)	(9,583,967)	89,204	(15,072,907)
Unallocated liabilities				(25,968)
Total liabilities				(15,098,875)
Credit commitments	338,919	1,336,090	—	1,675,009

(Amounts in millions of Renminbi, unless otherwise stated)

44 OPERATING SEGMENTS (continued)

County Area and Urban Area segments (continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2013				
External interest income	69,580	226,883	—	296,463
External interest expense	(40,253)	(76,208)	—	(116,461)
Inter-segment interest income/(expense)	47,196	(47,196)	—	—
Net interest income	76,523	103,479	—	180,002
Fee and commission income	17,870	31,851	—	49,721
Fee and commission expense	(725)	(1,399)	—	(2,124)
Net fee and commission income	17,145	30,452	—	47,597
Net trading gain	247	1,826	—	2,073
Net gain on financial instruments designated at fair value through profit or loss	26	64	—	90
Net gain on investment securities	—	334	—	334
Other operating income	944	5,004	—	5,948
Operating income	94,885	141,159	—	236,044
Operating expenses	(39,064)	(55,007)	—	(94,071)
Impairment losses on assets	(9,207)	(13,264)	—	(22,471)
Profit before tax	46,614	72,888	—	119,502
Income tax expense				(27,118)
Profit for the period				92,384
Depreciation and amortization included in operating expenses	(3,846)	(4,598)	—	(8,444)
Capital expenditure	1,711	3,802	—	5,513
As at 31 December 2013				
Segment assets	5,477,335	9,076,193	(65,501)	14,488,027
Including: Investments in associates and joint ventures	—	1	—	1
Unallocated assets				74,075
Total assets				14,562,102
Segment liabilities	(5,191,798)	(8,546,997)	65,501	(13,673,294)
Unallocated liabilities				(44,271)
Total liabilities				(13,717,565)
Credit commitments	286,409	1,195,536	—	1,481,945

(Amounts in millions of Renminbi, unless otherwise stated)

45 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2014, the MOF directly owned 39.21% (31 December 2013: 39.21%) of the share capital of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

The Group had the following balances and transactions with the MOF in its ordinary course of business under normal commercial terms:

	30 June 2014	31 December 2013
Treasury bonds and special government bonds	737,756	729,892
Receivable from the MOF(Note 26)	362,054	362,054
Interest receivable		
— treasury bonds and special government bonds	11,274	9,017
— receivable from the MOF	4,451	33
Amount payable to the MOF (Note 37)	4,273	1,539
Customer deposits	15,386	11,292
Interest payable	12	10
Other liability		
— redemption of certificate treasury bonds on behalf of the MOF	110	112

	Six months ended 30 June	
	2014	2013
Interest income	18,891	17,595
Interest expense	(25)	(30)
Fee and commission income	4,135	4,818

Interest rate ranges for transactions with the MOF during the periods are as follows:

	Six months ended 30 June	
	2014 %	2013 %
Treasury bonds and receivable from the MOF	1.85 – 9.00	1.77 – 6.34
Customer deposits	0.01 – 3.25	0.05 – 3.25

The Group's redemption commitment for government bonds underwriting is disclosed in Note 47 Contingent Liabilities and Commitments.

(Amounts in millions of Renminbi, unless otherwise stated)

45 RELATED PARTY TRANSACTIONS (continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations relative to the Bank on behalf of the PRC Government.

As at 30 June 2014, Huijin directly owned 40.28% (31 December 2013: 40.28%) of the share capital of the Bank.

Transactions with Huijin

The Group had the following balances and transactions with Huijin in its ordinary course of business under normal commercial terms:

	30 June 2014	**31 December 2013**
Investment in debt securities	11,180	11,130
Interest receivable	347	134
Customer deposits	10,635	10,960
Interest payable	2	158

	Six months ended 30 June	
	2014	**2013**
Interest income	213	213
Interest expense	(58)	(98)

Interest rate ranges for transactions with Huijin during the periods are as follows:

	Six months ended 30 June	
	2014	**2013**
	%	**%**
Debt securities	3.14 – 4.20	3.14 – 4.20
Customer deposits	0.72 – 3.30	0.72 – 3.30

(Amounts in millions of Renminbi, unless otherwise stated)

45 RELATED PARTY TRANSACTIONS (continued)

(2) The Group and Huijin (continued)

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Chinese Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Corresponding balances with these banks and financial institutions were as follows:

	30 June 2014	31 December 2013
Investment in debt securities	752,280	686,833
Deposits with banks and other financial institutions	60,332	21,059
Placements with and loans to banks and other financial institutions	65,460	31,926
Derivative financial assets	284	623
Financial assets held under resale agreements	48,520	88,706
Loans and advances to customers	1,265	385
Deposits from banks and other financial institutions	85,459	45,561
Placements from banks and other financial institutions	44,010	26,362
Derivative financial liabilities	400	457
Financial assets sold under repurchase agreements	105,765	11,859
Customer deposits	—	200

(3) The Group and other government related entities

Other than as disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that transactions with these entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

(Amounts in millions of Renminbi, unless otherwise stated)

45 RELATED PARTY TRANSACTIONS (continued)

(4) The Bank and its subsidiaries

The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business.

Management considers that transactions between the Bank and its subsidiaries are not significant.

(5) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. During the six months ended 30 June 2014 and 2013, the Group had no material transactions with key management personnel.

(6) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	30 June 2014	**31 December 2013**
Deposits from Annuity Scheme	8,050	8,050
Interest payable	21	15
Non-principal guaranteed wealth management products issued by the Bank	—	500

	Six months ended 30 June	
	2014	**2013**
Interest expense	244	456

Interest rate range for transaction with the Annuity Scheme during the periods is as follows:

	Six months ended 30 June	
	2014	**2013**
	%	**%**
Deposits from Annuity Scheme	5.75 – 6.20	5.30 – 6.20

46 STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

The unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP Vehicles") formed to issue and distribute wealth management products ("WMPs"), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. The variable return that the Group has in relation to the WMPs is not significant; therefore, the WMP Vehicles are not consolidated by the Group.

As at 30 June 2014, the outstanding WMPs issued by WMP vehicles (excluding those with the principal guaranteed issued by the Group) amounted to RMB416,587 million (31 December 2013: RMB412,190 million), which represent the total size of the WMP vehicles. During the six months ended 30 June 2014, the Group's interest in the WMP Vehicles included Net Fee and Commission Income of RMB2,707 million (six months ended 30 June 2013: RMB2,714 million) and Net Interest Income of RMB180 million (six months ended 30 June 2013: RMB224 million), which related to placements and reverse repurchase agreement transactions by the Group with WMP Vehicles.

The Group has entered into placements and reverse repurchase agreement transactions at market interest rates with the WMP Vehicles. The outstanding amount of these transactions represents the Group's maximum exposure to the WMP Vehicles. The average balance during the six months ended 30 June 2014 and the outstanding balance as at 30 June 2014 of these transactions were RMB10,819 million (weighted average outstanding period of 2.07 days) and RMB253,017 million, respectively. The average balance during 2013 and the outstanding balance as at 31 December 2013 of these transactions were RMB30,453 million (weighted average outstanding period of 2.9 days) and RMB80,282 million, respectively. The Group was under no obligation to enter into these transactions. As at 30 June 2014 and 31 December 2013, the outstanding balance of these transactions was presented in Placements with and Loans to Banks and Other Financial Institutions.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk from or reduce its interest in WMP vehicles disclosed above during the six months ended 30 June 2014 and the year ended 31 December 2013. The Group is not required to absorb any losses incurred by WMPs before other parties. During the period ended 30 June 2014 and the year ended 31 December 2013, no loss was incurred by the WMP Vehicles relating to the Group's interests in the WMP Vehicles, and the WMP Vehicles did not experience difficulty in financing their activities.

(2) Unconsolidated structured entities held by the Group

The Group invests in a number of other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These assets include underlying investments made by WMPs managed by the Group, and for which the Group has provided investors of the WMPs with a principal and/or return guarantee. As at 30 June 2014, the Group's maximum exposure to these other unconsolidated structured entities is summarized in the table below.

(Amounts in millions of Renminbi, unless otherwise stated)

46 STRUCTURED ENTITIES (continued)

(2) Unconsolidated structured entities held by the Group (continued)

	As at 30 June 2014				
	Financial assets designated at fair value through profits or losses	Available-for-sale investments	Held-to-maturity investment	Debt instruments classified as receivables	Total
Interest in trust products	187,209	—	—	—	187,209
Other debt instruments	65,190	—	—	—	65,190
Asset management products issued by other entities (i)	—	957	—	8,765	9,722
Asset — backed securities	—	4,773	—	—	4,773
Fund investments	—	1,134	—	—	1,134
Mortgage-backed securities	—	54	43	—	97
Total	252,399	6,918	43	8,765	268,125

	As at 31 December 2013				
	Financial assets designated at fair value through profits or losses	Available-for-sale investments	Held-to-maturity investment	Debt instrument classified as receivables	Total
Interest in trust products	171,280	—	—	—	171,280
Other debt instruments	38,710	—	—	—	38,710
Asset management products issued by other entities (i)	—	560	—	5,908	6,468
Asset-backed securities	—	1,918	—	—	1,918
Fund investments	—	988	—	—	988
Mortgage-backed securities	—	87	45	—	132
Total	209,990	3,553	45	5,908	219,496

(i) The asset management products issued by other entities primarily consist of WMPs, asset management plans and debt investment plans.

The information of total size of the Unconsolidated Structured Entities listed above is not readily available from the public.

(Amounts in millions of Renminbi, unless otherwise stated)

46 STRUCTURED ENTITIES (continued)

(3) Consolidated structured entities

The Group's consolidated structured entities consist principally of WMP Vehicles that issue and distribute WMPs with respect to which the Group has guaranteed the investor's principal investment and/or return upon maturity of the WMP, regardless of its actual performance; and a special purpose trust founded by a third party trust company for issuing asset backed securities by the Group. During the six months ended 30 June 2014 and the year ended 31 December 2013, the Group did not enter into financing transactions with any of these WMP Vehicles and the special purpose trust.

47 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 30 June 2014, provisions of RMB877 million (31 December 2013: RMB962 million) were made by the Group based on court judgments or advice of legal counsel, and included in Note 37 Other Liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	30 June 2014	31 December 2013
Contracted but not provided for	5,934	6,404
Authorized but not contracted for	1,246	1,261
Total	**7,180**	**7,665**

Credit commitments

	30 June 2014	31 December 2013
Loan commitments		
— With an original maturity of less than 1 year	53,746	35,858
— With an original maturity of 1 year or above	405,940	434,411
Subtotal	459,686	470,269
Bank acceptances	462,576	404,852
Credit card commitments	236,111	219,682
Guarantee and letters of guarantee	247,693	191,073
Letters of credit	268,943	196,069
Total	**1,675,009**	**1,481,945**

Credit commitments represent credit cards and general credit facility limits granted to customers under non-cancellable agreements. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantee and letters of guarantee or bank acceptances.

(Amounts in millions of Renminbi, unless otherwise stated)

47 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Credit risk weighted amount for credit commitments

	30 June 2014
Credit commitments	826,085

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 30 June 2014, credit risk weighted amount for credit commitments was measured under the Internal Ratings-Based approach as disclosed in Note 50 Capital Management.

As at 31 December 2013, credit risk weighted amount for credit commitments was RMB728,028 million, which was measured under the Weighted approach as disclosed in Note 50 Capital Management.

Operating lease commitments

At the end of each reporting period, the Group, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2014	31 December 2013
Within 1 year	3,477	3,575
1 to 2 years	3,034	3,039
2 to 3 years	2,472	2,550
3 to 5 years	3,080	2,527
Above 5 years	2,308	3,204
Total	**14,371**	**14,895**

In the current interim period, operating lease expense recognized as operating expense by the Group was RMB2,156 million, and is included in Note 11 Operating Expenses (six months ended 30 June 2013: RMB1,851 million).

Finance lease commitments

At the end of each reporting period, the Group, as a lessor, had the following non-cancellable finance lease commitments:

	30 June 2014	31 December 2013
Contractual amount	31	61

As at 30 June 2014, included in the Group's loans and advances are finance lease receivables of RMB33,265 million (31 December 2013: RMB32,211 million), among which, majority of the remaining maturity was within 1 to 5 years.

(Amounts in millions of Renminbi, unless otherwise stated)

47 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Collateral

Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements were as follows:

	30 June 2014	31 December 2013
Debt securities	125,846	27,011
Bills	32	38
Loans	733	600
Total	**126,611**	**27,649**

The carrying value of financial assets sold under repurchase agreements by the Group as at 30 June 2014 was RMB123,922 million (31 December 2013: RMB26,787 million) as set out in Note 34 Financial Assets Sold Under Repurchase Agreements. Repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

In addition, debt securities classified as available-for-sale and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral of derivative transactions by the Group as at 30 June 2014 amounted to RMB5,060 million in total (31 December 2013: RMB5,637 million).

Collateral accepted

The Group received debt securities, bills, loans and other assets as collateral in connection with the purchase of assets under resale agreements as set out in Note 22 Financial Assets Held under Resale Agreements. Certain of these collaterals can be resold or re-pledged. The Group has accepted collateral that can be resold or re-pledged with a carrying amount of RMB8,175 million as at 30 June 2014 (31 December 2013: RMB1,744 million). The Group has not resold or re-pledged any collateral accepted as at 30 June 2014 (as at 31 December 2013: None).

Redemption commitment for government bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of treasury bonds have a right to redeem the bonds at par at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the par value of the treasury bond plus unpaid interest in accordance with the terms of the related early redemption arrangement.

47 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Redemption commitment for government bonds (continued)

As at 30 June 2014, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB39,598 million (31 December 2013: RMB37,913 million). The original maturities of these bonds vary from 1 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

48 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

Securitization transactions

The Group enters into securitization transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognized on the condensed consolidated interim statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 30 June 2014, loans with an original carrying amount of RMB2,122 million (31 December 2013: None) have been securitized by the Group under arrangements in which the Group retains a continuing involvement in such assets in the form of subordinated tranches. As at 30 June 2014, the carrying amount of assets that the Group continues to recognize was RMB107 million (31 December 2013: None) and the assets were classified as loans and advances to customers. Arising from this continuing involvement, the Group has recognized continuing involvement assets and continuing involvement liabilities of RMB107 million, respectively.

49 FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to maintain risk within acceptable parameters to meet the requirements of regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group and intended to address the Group's information needs in this area. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving its risk management objectives and strategies.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal rules, measures and procedures related to risk management. The Risk Management Department of the Group implements procedures for managing the significant risks to which the Group is exposed.

49.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment. The Group's major credit risks arise from loans and receivables, treasury operations and off-balance sheet related credit risk exposures.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loans management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Credit risk management (continued)

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available, applying appropriate limits subject to different level of management authority, and by reviewing and adjusting credit limit through system. In addition, the Group also provides loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Impairment assessment

Key factors related to the Group's impairment assessment

In accordance with the "Guideline for Loan Credit Risk Classification" issued by the CBRC, the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loans into the following five categories: normal, special-mention, substandard, doubtful and loss. Loans classified as substandard, doubtful and loss are regarded as non-performing loans. The primary factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, projected profitability, guarantees or collateral and legal responsibility of repayment. The allowance for impairment losses is assessed collectively or individually, as appropriate.

The five categories of loan classification into which the Group classifies its loans and advances to customers are set out below:

Normal	Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special-mention	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Impairment assessment (continued)

Key factors related to the Group's impairment assessment (continued)

Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

With respect to investments in debt securities other than held for trading or designated at fair value through profit or loss, the Group assesses for indicators of impairment at the end of each reporting period based on objective evidence and performs impairment assessment individually or collectively, as appropriate. For impaired available-for-sale investments, the amount of the impairment allowance is equal to the existing unrealized loss, which is recorded as a charge in the condensed consolidated interim income statement.

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period primarily arises from credit and treasury operations; as well as off-balance sheet items such as loan commitments, credit card commitments, bank acceptances, guarantee and letters of guarantee and letters of credit, as credit risks arising from these items are similar to those associated with loans and receivables.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

A summary of the maximum exposure to credit risk is as follows:

	30 June 2014	31 December 2013
Balances with central banks	2,757,924	2,504,043
Deposits with banks and other financial institutions	523,899	397,678
Placements with and loans to banks and other financial institutions	547,064	308,655
Financial assets held for trading	59,487	53,814
Financial assets designated at fair value through profit or loss	291,266	267,997
Derivative financial assets	6,592	8,186
Financial assets held under resale agreements	750,986	737,052
Loans and advances to customers	7,503,254	6,902,522
Available-for-sale financial assets	823,311	778,944
Held-to-maturity investments	1,636,625	1,523,815
Debt instruments classified as receivables	596,824	592,090
Other financial assets	134,533	103,024
Subtotal	15,631,765	14,177,820
Credit commitments	1,675,009	1,481,945
Total	**17,306,774**	**15,659,765**

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of borrowers. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

— Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;

— Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and

— Financial assets held under resale agreements transactions are primarily collateralized by debts securities, bills and loans.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers

The following tables set out the concentration of risk for loans and advances to customers by geographical area and industry.

(1) *The composition of loans and advances to customers by geographical area is analyzed as follows:*

	30 June 2014		31 December 2013	
	Amount	**% of total**	**Amount**	**% of total**
Corporate loans and advances				
Head Office	135,213	2.4	115,027	2.2
Yangtze River Delta	1,297,693	23.5	1,225,018	23.9
Pearl River Delta	658,305	11.9	622,736	12.1
Bohai Rim	1,005,619	18.2	958,418	18.7
Central China	642,893	11.6	605,634	11.8
Western China	1,170,142	21.1	1,101,790	21.5
Northeastern China	203,958	3.7	193,057	3.8
Overseas and Others	419,574	7.6	307,401	6.0
Subtotal	5,533,397	100.0	5,129,081	100.0
Personal loans and advances				
Head Office	105	—	110	—
Yangtze River Delta	589,694	25.6	555,257	26.5
Pearl River Delta	417,771	18.1	390,258	18.6
Bohai Rim	332,569	14.4	292,778	14.0
Central China	323,482	14.0	288,221	13.8
Western China	544,358	23.6	482,475	23.0
Northeastern China	96,388	4.2	84,206	4.0
Overseas and Others	3,143	0.1	2,327	0.1
Subtotal	2,307,510	100.0	2,095,632	100.0
Gross loans and advances to customers	**7,840,907**		**7,224,713**	

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

(2) *The composition of loans and advances to customers by industry is analyzed as follows:*

	30 June 2014		31 December 2013	
	Amount	% of total	Amount	% of total
Corporate loans and advances				
Manufacturing	1,482,740	26.8	1,429,765	27.9
Transportation, logistics and postal services	693,450	12.5	618,900	12.1
Retail and wholesale	622,872	11.3	593,434	11.6
Real estate	605,745	10.9	549,592	10.7
Production and supply of power, heat, gas and water	516,579	9.3	492,082	9.6
Leasing and commercial services	357,616	6.5	330,123	6.4
Mining	233,294	4.2	223,518	4.4
Water, environment and public utilities management	202,341	3.7	205,931	4.0
Construction	222,666	4.0	204,281	4.0
Telecommunications, IT services and software	22,226	0.4	28,156	0.5
Others	573,868	10.4	453,299	8.8
Subtotal	5,533,397	100.0	5,129,081	100.0
Personal loans and advances				
Residential mortgage	1,449,913	62.9	1,292,038	61.6
Personal business	277,563	12.0	256,245	12.2
Personal consumer	205,879	8.9	204,448	9.8
Credit cards	210,446	9.1	194,330	9.3
Others	163,709	7.1	148,571	7.1
Subtotal	2,307,510	100.0	2,095,632	100.0
Gross loans and advances to customers	**7,840,907**		**7,224,713**	

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

(3) *The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:*

	30 June 2014			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	802,252	305,363	602,855	1,710,470
Guaranteed loans	807,665	287,136	307,192	1,401,993
Loans secured by collateral	1,162,154	690,328	1,936,716	3,789,198
Pledged loans	471,214	55,104	412,928	939,246
Total	**3,243,285**	**1,337,931**	**3,259,691**	**7,840,907**

	31 December 2013			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	763,479	301,703	556,910	1,622,092
Guaranteed loans	769,611	231,430	295,572	1,296,613
Loans secured by collateral	1,131,696	661,376	1,719,816	3,512,888
Pledged loans	366,943	41,668	384,509	793,120
Total	**3,031,729**	**1,236,177**	**2,956,807**	**7,224,713**

(4) *Past due loans*

	30 June 2014				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	6,516	3,386	1,365	381	11,648
Guaranteed loans	10,058	11,624	6,331	5,271	33,284
Loans secured by collateral	31,105	18,487	13,165	8,451	71,208
Pledged loans	2,097	2,482	943	1,659	7,181
Total	**49,776**	**35,979**	**21,804**	**15,762**	**123,321**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

(4) Past due loans (continued)

	31 December 2013				
	Up to 90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	5,211	4,379	1,282	442	11,314
Guaranteed loans	8,075	6,078	7,005	6,913	28,071
Loans secured by collateral	20,067	10,324	14,201	10,174	54,766
Pledged loans	1,540	1,129	1,326	2,278	6,273
Total	**34,893**	**21,910**	**23,814**	**19,807**	**100,424**

When either loan principal or interest is past due by one day in any period, the whole loan is classified as past due loan.

(5) Credit quality of loans and advances to customers

		30 June 2014	31 December 2013
Neither past due nor impaired	(i)	7,708,884	7,112,117
Past due but not impaired	(ii)	34,550	24,815
Impaired	(iii)	97,473	87,781
Subtotal		7,840,907	7,224,713
Allowance for impairment losses of loans and advances to customers		(337,653)	(322,191)
Loans and advances to customers		7,503,254	6,902,522

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

(5) *Credit quality of loans and advances to customers* (continued)

(i) Loans and advances neither past due nor impaired

	30 June 2014		
	Normal	Special-mention	Total
Corporate loans and advances	5,188,333	253,820	5,442,153
Personal loans and advances	2,264,526	2,205	2,266,731
Total	**7,452,859**	**256,025**	**7,708,884**

	31 December 2013		
	Normal	Special-mention	Total
Corporate loans and advances	4,800,374	252,101	5,052,475
Personal loans and advances	2,057,357	2,285	2,059,642
Total	**6,857,731**	**254,386**	**7,112,117**

(ii) Loans and advances past due but not impaired

	30 June 2014				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	9,129	859	861	10,849	12,966
Personal loans and advances	16,187	4,575	2,939	23,701	24,186
Total	**25,316**	**5,434**	**3,800**	**34,550**	**37,152**

	31 December 2013				
	Up to 30 days	31–60 days	61–90 days	Total	Fair value of collateral
Corporate loans and advances	4,017	187	30	4,234	4,303
Personal loans and advances	14,070	4,033	2,478	20,581	24,986
Total	**18,087**	**4,220**	**2,508**	**24,815**	**29,289**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

(5) Credit quality of loans and advances to customers (continued)

(iii) Impaired loans and advances

	30 June 2014		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	80,391	(52,288)	28,103
Collectively assessed	17,082	(12,521)	4,561
Total	**97,473**	**(64,809)**	**32,664**

	31 December 2013		
	Book value	Allowance for impairment losses	Net book value
Individually assessed	72,355	(50,127)	22,228
Collectively assessed	15,426	(10,440)	4,986
Total	**87,781**	**(60,567)**	**27,214**

Including:

	30 June 2014	31 December 2013
Individually assessed and impaired	80,391	72,355
Individually assessed and impaired as a percentage of gross loans and advances of the Group	1.03%	1.00%
Fair value of collateral	16,727	9,237

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Loans and advances to customers (continued)

(5) *Credit quality of loans and advances to customers* (continued)

(iii) Impaired loans and advances (continued)

The composition of impaired loans and advances to customers by geographical area is analyzed as follows:

	30 June 2014		31 December 2013	
	Amount	**% of total**	**Amount**	**% of total**
Head Office	3	—	3	—
Yangtze River Delta	23,904	24.5	19,373	22.1
Pearl River Delta	15,808	16.2	12,407	14.1
Bohai Rim	16,254	16.7	16,603	19.0
Central China	15,358	15.8	14,075	16.0
Western China	20,794	21.3	19,523	22.2
Northeastern China	4,482	4.6	4,927	5.6
Overseas and Others	870	0.9	870	1.0
Total	**97,473**	**100.0**	**87,781**	**100.0**

(6) *Rescheduled loans and advances*

Rescheduled loans and advances arise from renegotiating terms of contract, and such loans and advances require continuous monitoring. Rescheduled loans and advances as at 30 June 2014 amounted to RMB11,140 million (31 December 2013: RMB10,376 million).

(7) *Assets foreclosed under credit enhancement arrangement*

Such assets are disclosed as foreclosed assets in Note 29 Other Assets.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments

Credit quality of debt instruments

The table below represents the carrying value and accumulated impairment charges of held-to-maturity investments and debt instruments classified as receivables:

	30 June 2014	31 December 2013
Neither past due nor impaired	2,234,887	2,116,801
Impaired	46	45
Subtotal	2,234,933	2,116,846
Individually assessed	(45)	(44)
Collectively assessed	(1,439)	(897)
Allowance for impairment losses	(1,484)	(941)
Total held-to-maturity investments and debt instruments classified as receivables, net	**2,233,449**	**2,115,905**

(1) Debt instruments neither past due nor impaired

	30 June 2014				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Government bonds	7,174	144,198	533,701	—	685,073
Public sector and quasi-government bonds	49,534	431,995	899,364	66,102	1,446,995
Financial institution bonds	4,246	69,289	48,507	31,213	153,255
Corporate bonds	18,569	174,661	155,824	31,712	380,766
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	362,054	362,054
Certificate treasury bonds and savings treasury bonds	—	—	—	4,345	4,345
Interests in trust products	187,209	—	—	—	187,209
Other debt instruments	65,190	—	—	8,765	73,955
Total	**331,922**	**820,143**	**1,637,396**	**597,491**	**3,386,952**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments (continued)

Credit quality of debt instruments (continued)

(1) Debt instruments neither past due nor impaired (continued)

	31 December 2013				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Debt instruments classified as receivables	Total
Government bonds	13,700	149,808	519,265	—	682,773
Public sector and quasi-government bonds	50,056	409,322	808,838	66,485	1,334,701
Financial institution bonds	11,495	48,702	29,688	27,124	117,009
Corporate bonds	24,768	167,724	166,623	30,973	390,088
Special government bond	—	—	—	93,300	93,300
Receivable from the MOF	—	—	—	362,054	362,054
Certificate treasury bonds and savings treasury bonds	—	—	—	6,037	6,037
Interests in trust products	171,280	—	—	—	171,280
Other debt instruments	38,710	—	—	6,414	45,124
Total	**310,009**	**775,556**	**1,524,414**	**592,387**	**3,202,366**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments (continued)

Credit quality of debt instruments (continued)

(2) Impaired debt instruments

	30 June 2014		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	—	46	46
Allowance for impairment losses	—	(45)	(45)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	**—**	**1**	**1**

	31 December 2013		
	Held-to-maturity investments	Debt instruments classified as receivables	Total
Corporate bonds	—	45	45
Allowance for impairment losses	—	(44)	(44)
Impaired held-to-maturity investments and debt instruments classified as receivables, net	**—**	**1**	**1**

The Group's available-for-sale debt instruments were individually assessed for impairment. As at 30 June 2014, the carrying amount of the impaired available-for-sale debt instruments of the Group was RMB3,168 million (31 December 2013: RMB3,388 million), among which the total impairment losses recognized for these impaired available-for-sale debt instruments as at 30 June 2014 was RMB300 million (31 December 2013: RMB331 million).

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments (continued)

Credit quality of debt instruments (continued)

(3) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analyzed by rating as at the end of the reporting period are as follows:

	30 June 2014					
	Unrated (i)	AAA	AA	A	Below A	Total
Government bonds	677,241	5,613	992	1,227	—	685,073
Public sector and quasi-government bonds	1,334,845	96,657	10,898	4,486	—	1,446,886
Financial institution bonds	75,948	47,457	11,700	14,652	5,970	155,727
Corporate bonds (ii)	49,881	269,724	13,054	42,196	5,278	380,133
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	362,054	—	—	—	—	362,054
Certificate treasury bonds and savings treasury bonds	4,345	—	—	—	—	4,345
Interests in trust products (iii)	187,209	—	—	—	—	187,209
Other debt instruments (iii)	73,955	—	—	—	—	73,955
Total	**2,858,778**	**419,451**	**36,644**	**62,561**	**11,248**	**3,388,682**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.1 Credit risk (continued)

Debt instruments (continued)

Credit quality of debt instruments (continued)

(3) Debt instruments analyzed by credit rating (continued)

	31 December 2013					
	Unrated (i)	**AAA**	**AA**	**A**	**Below A**	**Total**
Government bonds	680,349	637	1,707	80	—	682,773
Public sector and quasi-government bonds	1,251,211	79,857	3,057	443	—	1,334,568
Financial institution bonds	24,284	49,902	31,531	9,340	5,074	120,131
Corporate bonds (ii)	23,452	230,604	118,313	11,935	5,287	389,591
Special government bond	93,300	—	—	—	—	93,300
Receivable from the MOF	362,054	—	—	—	—	362,054
Certificate treasury bonds and savings treasury bonds	6,037	—	—	—	—	6,037
Interests in trust products (iii)	171,280	—	—	—	—	171,280
Other debt instruments (iii)	45,124	—	—	—	—	45,124
Total	**2,657,091**	**361,000**	**154,608**	**21,798**	**10,361**	**3,204,858**

(i) Unrated debt investments held by the Group are bonds issued primarily by policy banks and the Chinese government.

(ii) The ratings of super short-term commercial papers amounted to RMB38,404 million (31 December 2013: RMB66,938 million), as included in corporate bonds above are based on issuer rating for this credit risk analysis.

(iii) The trust products and other debt instruments are classified within Level 3 and the related credit risk is described in Note 51 Fair Value of Financial Instruments.

49.2 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate current asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period.

	30 June 2014								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	—	274,970	10,887	—	—	—	—	2,565,487	2,851,344
Deposits with banks and other financial institutions	—	82,844	39,980	42,039	259,664	99,372	—	—	523,899
Placements with and loans to banks and other financial institutions	—	—	350,297	35,752	103,066	57,949	—	—	547,064
Financial assets held for trading	—	21	7,287	7,585	23,452	17,023	4,140	—	59,508
Financial assets designated at fair value through profit or loss	—	—	66,170	44,251	109,247	69,020	2,578	599	291,865
Derivative financial assets	—	—	1,119	1,137	2,843	1,248	245	—	6,592
Financial assets held under resale agreements	—	—	494,562	167,558	88,366	500	—	—	750,986
Loans and advances to customers	21,527	—	442,524	744,676	2,344,539	1,595,345	2,354,643	—	7,503,254
Available-for-sale financial assets	—	—	16,109	48,724	105,461	467,581	185,436	3,438	826,749
Held-to-maturity investments	—	—	19,061	55,386	192,563	795,489	574,126	—	1,636,625
Debt instruments classified as receivables	1	61	1,208	1,051	26,967	76,884	490,652	—	596,824
Other financial assets	1,297	23,406	30,105	41,074	38,372	256	23	—	134,533
Total financial assets	**22,825**	**381,302**	**1,479,309**	**1,189,233**	**3,294,540**	**3,180,667**	**3,611,843**	**2,569,524**	**15,729,243**
Borrowings from central bank	—	(30)	(30)	—	(81)	—	—	—	(141)
Deposits from banks and other financial institutions	—	(324,349)	(38,357)	(84,162)	(72,202)	(393,242)	(400)	—	(912,712)
Placements from banks and other financial institutions	—	—	(78,388)	(82,550)	(68,062)	(1,197)	(931)	—	(231,128)
Financial liabilities held for trading	—	(10,643)	(5,652)	(7,624)	(4,233)	—	—	—	(28,152)
Financial liabilities designated at fair value through profit or loss	—	—	(80,704)	(72,549)	(114,027)	(12,295)	(35)	—	(279,610)
Derivative financial liabilities	—	—	(671)	(988)	(2,439)	(1,125)	(380)	—	(5,603)
Financial assets sold under repurchase agreements	—	—	(22,298)	(95,106)	(5,920)	(598)	—	—	(123,922)
Due to customers	—	(7,247,652)	(660,013)	(954,039)	(2,749,297)	(1,198,323)	(180)	—	(12,809,504)
Debt securities issued	—	—	(13,541)	(28,681)	(94,503)	(38,701)	(99,932)	—	(275,358)
Other financial liabilities	—	(83,046)	(14,788)	(89,841)	(73,088)	(59,149)	(23,192)	—	(343,104)
Total financial liabilities	**—**	**(7,665,720)**	**(914,442)**	**(1,415,540)**	**(3,183,852)**	**(1,704,630)**	**(125,050)**	**—**	**(15,009,234)**
Net position	**22,825**	**(7,284,418)**	**564,867**	**(226,307)**	**110,688**	**1,476,037**	**3,486,793**	**2,569,524**	**720,009**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (continued)

	31 December 2013								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	—	200,278	1,178	—	—	—	—	2,402,346	2,603,802
Deposits with banks and other financial institutions	—	48,464	49,142	55,092	145,639	99,341	—	—	397,678
Placements with and loans to banks and other financial institutions	—	—	162,547	19,083	87,668	39,357	—	—	308,655
Financial assets held for trading	—	2	4,554	3,805	24,003	17,702	3,750	48	53,864
Financial assets designated at fair value through profit or loss	—	—	56,835	61,947	93,573	55,611	31	1,021	269,018
Derivative financial assets	—	—	780	949	2,105	3,897	455	—	8,186
Financial assets held under resale agreements	—	—	439,889	119,212	177,951	—	—	—	737,052
Loans and advances to customers	17,843	—	408,485	710,851	2,165,795	1,474,567	2,124,981	—	6,902,522
Available-for-sale financial assets	—	—	16,579	29,761	114,846	437,173	180,585	2,367	781,311
Held-to-maturity investments	—	—	6,179	31,417	203,297	719,537	563,385	—	1,523,815
Debt instruments classified as receivables	1	113	10,635	1,775	44,367	55,104	480,095	—	592,090
Other financial assets	785	15,666	22,433	30,725	33,155	203	57	—	103,024
Total financial assets	**18,629**	**264,523**	**1,179,236**	**1,064,617**	**3,092,399**	**2,902,492**	**3,353,339**	**2,405,782**	**14,281,017**
Borrowings from central bank	—	(30)	—	—	(74)	—	—	—	(104)
Deposits from banks and other financial institutions	—	(252,802)	(32,408)	(13,820)	(43,910)	(386,414)	—	—	(729,354)
Placements from banks and other financial institutions	—	—	(69,464)	(65,740)	(37,427)	(1,732)	—	—	(174,363)
Financial liabilities held for trading	—	(9,598)	(4,209)	(2,525)	(4,473)	—	—	—	(20,805)
Financial liabilities designated at fair value through profit or loss	—	—	(110,696)	(94,884)	(58,302)	(21,538)	(34)	—	(285,454)
Derivative financial liabilities	—	—	(912)	(1,713)	(2,291)	(2,064)	(655)	—	(7,635)
Financial assets sold under repurchase agreements	—	—	(22,225)	(1,714)	(2,489)	(359)	—	—	(26,787)
Due to customers	—	(6,993,059)	(566,840)	(1,009,991)	(2,159,729)	(1,081,790)	(2)	—	(11,811,411)
Debt securities issued	—	—	(3,261)	(26,195)	(94,704)	(16,961)	(125,140)	—	(266,261)
Other financial liabilities	—	(98,269)	(14,171)	(42,008)	(57,676)	(58,631)	(16,894)	—	(287,649)
Total financial liabilities	**—**	**(7,353,758)**	**(824,186)**	**(1,258,590)**	**(2,461,075)**	**(1,569,489)**	**(142,725)**	**—**	**(13,609,823)**
Net position	**18,629**	**(7,089,235)**	**355,050**	**(193,973)**	**631,324**	**1,333,003**	**3,210,614**	**2,405,782**	**671,194**

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include Cash and Balances with Central Banks, Deposits with Banks and Other Financial Institutions, Placements with and Loans to Banks and Other Financial Institutions, Financial Assets at Fair Value through Profit or Loss, and Financial Assets Held under Resale Agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the Available-for-Sale Financial Assets to repay matured liabilities, if necessary.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	30 June 2014								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	—	274,970	10,887	1,105	—	—	—	2,565,487	2,852,449
Deposits with banks and other financial institutions	—	82,844	41,250	43,881	276,300	103,296	—	—	547,571
Placements with and loans to banks and other financial institutions	—	—	350,561	38,543	108,658	60,242	—	—	558,004
Financial assets held for trading	—	21	7,375	7,923	24,741	19,441	4,762	—	64,263
Financial assets designated at fair value through profit or loss	—	—	68,082	51,675	111,227	76,392	3,229	599	311,204
Financial assets held under resale agreements	—	—	498,208	171,420	90,602	568	—	—	760,798
Loans and advances to customers	71,070	—	506,283	846,184	2,702,720	2,451,691	3,593,475	—	10,171,423
Available-for-sale financial assets	—	—	18,719	55,890	127,230	541,740	217,083	3,438	964,100
Held-to-maturity investments	—	—	24,918	67,227	239,892	976,876	704,409	—	2,013,322
Debt instruments classified as receivables	46	61	1,626	6,929	31,799	90,596	525,923	—	656,980
Other financial assets	—	23,406	3,548	10,729	1,627	—	8	—	39,318
Total non-derivative financial assets	**71,116**	**381,302**	**1,531,457**	**1,301,506**	**3,714,796**	**4,320,842**	**5,048,889**	**2,569,524**	**18,939,432**
Non-derivative financial liabilities									
Borrowings from central bank	—	(30)	(30)	—	(81)	—	—	—	(141)
Deposits from banks and other financial institutions	—	(324,349)	(38,686)	(86,129)	(79,174)	(415,553)	(400)	—	(944,291)
Placements from banks and other financial institutions	—	—	(78,701)	(83,405)	(69,443)	(1,370)	(1,048)	—	(233,967)
Financial liabilities held for trading	—	(10,643)	(5,897)	(7,763)	(4,571)	—	—	—	(28,874)
Financial liabilities designated at fair value through profit or loss	—	—	(81,578)	(73,984)	(118,703)	(13,231)	(44)	—	(287,540)
Financial assets sold under repurchase agreements	—	—	(22,499)	(96,227)	(5,949)	(814)	—	—	(125,489)
Due to customers	—	(7,252,383)	(673,343)	(978,287)	(2,870,751)	(1,377,019)	(180)	—	(13,151,963)
Debt securities issued	—	—	(13,606)	(28,886)	(101,435)	(64,035)	(112,794)	—	(320,756)
Other financial liabilities	—	(79,304)	(814)	(68,355)	(1,282)	(547)	(21,579)	—	(171,881)
Total non-derivative financial liabilities	**—**	**(7,666,709)**	**(915,154)**	**(1,423,036)**	**(3,251,389)**	**(1,872,569)**	**(136,045)**	**—**	**(15,264,902)**
Net position	**71,116**	**(7,285,407)**	**616,303**	**(121,530)**	**463,407**	**2,448,273**	**4,912,844**	**2,569,524**	**3,674,530**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows (continued)

	31 December 2013								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	—	200,278	1,178	1,153	—	—	—	2,402,346	2,604,955
Deposits with banks and other financial institutions	—	48,496	50,276	56,664	155,291	102,998	—	—	413,725
Placements with and loans to banks and other financial institutions	—	—	164,128	20,528	91,973	41,194	—	—	317,823
Financial assets held for trading	—	2	4,730	3,927	25,471	19,989	4,208	48	58,375
Financial assets designated at fair value through profit or loss	—	—	57,269	63,174	97,889	59,294	53	1,021	278,700
Financial assets held under resale agreements	—	—	442,670	122,239	183,822	—	—	—	748,731
Loans and advances to customers	64,722	—	466,646	804,865	2,487,474	2,245,244	3,232,695	—	9,301,646
Available-for-sale financial assets	—	—	19,240	34,582	138,445	513,619	213,689	2,367	921,942
Held-to-maturity investments	—	—	8,564	42,404	248,001	878,663	685,041	—	1,862,673
Debt instruments classified as receivables	45	113	10,974	2,109	51,609	74,562	505,591	—	645,003
Other financial assets	—	15,331	1,944	9,371	1,348	—	8	—	28,002
Total non-derivative financial assets	**64,767**	**264,220**	**1,227,619**	**1,161,016**	**3,481,323**	**3,935,563**	**4,641,285**	**2,405,782**	**17,181,575**
Non-derivative financial liabilities									
Borrowings from central bank	—	(30)	—	—	(74)	—	—	—	(104)
Deposits from banks and other financial institutions	—	(252,893)	(33,610)	(20,668)	(50,639)	(433,243)	—	—	(791,053)
Placements from banks and other financial institutions	—	—	(69,890)	(66,373)	(38,244)	(1,770)	—	—	(176,277)
Financial liabilities held for trading	—	(9,598)	(4,226)	(2,540)	(4,503)	—	—	—	(20,867)
Financial liabilities designated at fair value through profit or loss	—	—	(111,814)	(96,388)	(60,587)	(22,723)	(45)	—	(291,557)
Financial assets sold under repurchase agreements	—	—	(22,237)	(1,736)	(2,498)	(439)	—	—	(26,910)
Due to customers	—	(6,996,955)	(578,178)	(1,040,462)	(2,256,545)	(1,246,341)	(2)	—	(12,118,483)
Debt securities issued	—	—	(3,304)	(26,700)	(102,947)	(42,022)	(144,077)	—	(319,050)
Other financial liabilities	—	(94,256)	(1,052)	(9,784)	(1,411)	(925)	(16,893)	—	(124,321)
Total non-derivative financial liabilities	**—**	**(7,353,732)**	**(824,311)**	**(1,264,651)**	**(2,517,448)**	**(1,747,463)**	**(161,017)**	**—**	**(13,868,622)**
Net position	**64,767**	**(7,089,512)**	**403,308**	**(103,635)**	**963,875**	**2,188,100**	**4,480,268**	**2,405,782**	**3,312,953**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Derivative cash flows

Derivatives settled on a net basis

The fair values of the Group's derivatives that will be settled on a net basis are primarily related to interest rate products. The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	30 June 2014					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Interest rate derivatives	47	2	(10)	(171)	(14)	(146)

	31 December 2013					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Interest rate derivatives	1	(13)	(251)	(118)	66	(315)

Derivatives settled on a gross basis

The fair values of the Group's derivatives that will be settled on a gross basis are primarily related to foreign exchange rates and precious metal products. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	30 June 2014					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a gross basis						
— Cash inflow	231,229	182,757	398,306	49,024	3,133	864,449
— Cash outflow	(229,843)	(182,489)	(398,350)	(48,786)	(3,184)	(862,652)
Total	**1,386**	**268**	**(44)**	**238**	**(51)**	**1,797**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.2 Liquidity risk (continued)

Derivative cash flows (continued)

Derivatives settled on a gross basis (continued)

	31 December 2013					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	194,523	138,784	262,107	55,253	1,998	652,665
— Cash outflow	(194,832)	(139,651)	(259,969)	(55,220)	(1,998)	(651,670)
Total	**(309)**	**(867)**	**2,138**	**33**	**—**	**995**

Credit commitments

The tables below summarize the amounts of credit commitments by remaining maturity.

	30 June 2014			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	100,639	144,933	214,114	459,686
Bank acceptances	462,576	—	—	462,576
Credit card commitments	236,111	—	—	236,111
Guarantee and letters of guarantee	127,848	77,906	41,939	247,693
Letters of credit	266,739	2,204	—	268,943
Total	**1,193,913**	**225,043**	**256,053**	**1,675,009**

	31 December 2013			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	65,822	143,778	260,669	470,269
Bank acceptances	404,852	—	—	404,852
Credit card commitments	219,682	—	—	219,682
Guarantee and letters of guarantee	77,638	72,772	40,663	191,073
Letters of credit	192,953	2,680	436	196,069
Total	**960,947**	**219,230**	**301,768**	**1,481,945**

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on— and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through its lending, fixed-income and funding activities. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and repricing dates of interest-earning assets and interest-bearing liabilities. As discussed further below, interest rate risk is actively managed.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates all financial instruments and commodities, both on- and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading, including all derivatives instruments. Any other financial instruments are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing.

The Group has formulated policies, which are subject to review annually or as circumstances otherwise dictate, to manage market risk. Further, in this regard, the Group's market risk management is focused on movements in domestic and global financial markets, as well as the composition of the trading book and management's trading strategies, within approved limits. Moreover, the Group has implemented more specific policies for financial instruments, closely monitoring the exposure to specific issuers and counterparties, as well as the tenor of individual positions and trading strategies. The foundation of the Group's limit and risk monitoring system is based on VaR, which is used consistently to monitor all classes of financial instruments in the trading book.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Market Risk Management for Trading Book (continued)

The Group has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading books, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Group selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Group verified the accuracy and reliability of market risk measurements through data analysis, parallel modeling and back-testing of the market risk measurements.

VaR Analysis for the Trading Book

		The Bank			
		Six months ended 30 June 2014			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		56	75	87	55
Exchange rate risk	(1)	58	125	247	54
Commodity risk		8	17	34	2
Overall VaR		90	178	289	86

		The Bank			
		Six months ended 30 June 2013			
		At the end of the period	Average	Maximum	Minimum
Interest rate risk		43	29	43	17
Exchange rate risk	(1)	14	59	122	8
Commodity risk		3	20	54	2
Overall VaR		55	81	151	36

The Group calculates VaR for the Bank's trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations).

The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and gold. The stress testing uses a range of scenarios, to assess the potential impact on profit and loss.

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

The interest rate risk existing in the banking book broadly relates to the mismatch of the maturity or re-pricing dates of interest rate-sensitive financial assets and financial liabilities, as well as inconsistencies in the change of the benchmark interest rates on which most domestic interest rate-sensitive financial assets and financial liabilities are based.

The Group closely monitors changes in the macro-economic environment and the monetary policies of the PBOC, enabling it to timely and flexibly adjust its pricing strategy. The Group establishes comprehensive interest rate risk management policies and protocols and has improved the consistency of interest rate risk measurement, monitoring, analysis and management of interest rate risk across the Group.

The Group regularly measures and analyzes the Group's interest rate risk by conducting gap analysis, sensitivity analysis, scenario analysis and stress testing to manage interest rate risk within established limits.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits are classified as either directive limits or indicative limits, based on the character of the underlying instruments or transactions. This distinction improves, among other things, exposure limit monitoring, enforcement of stop-loss limit, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits more closely to its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's foreign currency operations and treasury exposures.

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	30 June 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,826,313	23,368	955	708	2,851,344
Deposits with banks and other financial institutions	439,360	73,841	4,570	6,128	523,899
Placements with and loans to banks and other financial institutions	485,204	59,982	1,667	211	547,064
Financial assets held for trading	59,440	68	—	—	59,508
Financial assets designated at fair value through profit or loss	283,554	3,809	4,502	—	291,865
Derivative financial assets	1,715	4,277	34	566	6,592
Financial assets held under resale agreements	750,892	94	—	—	750,986
Loans and advances to customers	7,016,374	435,773	35,159	15,948	7,503,254
Available-for-sale financial assets	777,326	44,120	1,283	4,020	826,749
Held-to-maturity investments	1,630,324	5,935	159	207	1,636,625
Debt instruments classified as receivables	596,739	—	—	85	596,824
Other financial assets	125,850	6,306	894	1,483	134,533
Total financial assets	**14,993,091**	**657,573**	**49,223**	**29,356**	**15,729,243**
Borrowings from central bank	(141)	—	—	—	(141)
Deposits from banks and other financial institutions	(742,179)	(168,700)	(889)	(944)	(912,712)
Placements from banks and other financial institutions	(67,509)	(121,593)	(28,922)	(13,104)	(231,128)
Financial liabilities held for trading	(28,152)	—	—	—	(28,152)
Financial liabilities designated at fair value through profit or loss	(278,835)	(707)	(8)	(60)	(279,610)
Derivative financial liabilities	(3,464)	(1,627)	(79)	(433)	(5,603)
Financial assets sold under repurchase agreements	(116,208)	(7,714)	—	—	(123,922)
Due to customers	(12,514,519)	(252,112)	(29,630)	(13,243)	(12,809,504)
Debt securities issued	(197,955)	(58,398)	(16,527)	(2,478)	(275,358)
Other financial liabilities	(331,676)	(8,258)	(1,405)	(1,765)	(343,104)
Total financial liabilities	**(14,280,638)**	**(619,109)**	**(77,460)**	**(32,027)**	**(15,009,234)**
Net on-balance sheet position	712,453	38,464	(28,237)	(2,671)	720,009
Net notional amount of derivatives	(51,816)	8,390	34,266	8,486	(674)
Credit commitments	1,433,363	223,511	5,950	12,185	1,675,009

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Foreign exchange rate risk (continued)

	31 December 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,591,348	10,141	1,705	608	2,603,802
Deposits with banks and other financial institutions	354,025	29,913	9,279	4,461	397,678
Placements with and loans to banks and other financial institutions	286,869	20,828	472	486	308,655
Financial assets held for trading	53,864	—	—	—	53,864
Financial assets designated at fair value through profit or loss	256,157	7,474	5,387	—	269,018
Derivative financial assets	2,695	4,362	487	642	8,186
Financial assets held under resale agreements	737,052	—	—	—	737,052
Loans and advances to customers	6,520,161	332,795	33,709	15,857	6,902,522
Available-for-sale financial assets	727,690	47,290	2,605	3,726	781,311
Held-to-maturity investments	1,521,466	1,990	157	202	1,523,815
Debt instruments classified as receivables	592,089	—	—	1	592,090
Other financial assets	92,736	8,683	946	659	103,024
Total financial assets	**13,736,152**	**463,476**	**54,747**	**26,642**	**14,281,017**
Borrowings from central bank	(104)	—	—	—	(104)
Deposits from banks and other financial institutions	(591,172)	(136,898)	(1,087)	(197)	(729,354)
Placements from banks and other financial institutions	(69,272)	(76,661)	(19,225)	(9,205)	(174,363)
Financial liabilities held for trading	(20,805)	—	—	—	(20,805)
Financial liabilities designated at fair value through profit or loss	(285,172)	(152)	(24)	(106)	(285,454)
Derivative financial liabilities	(1,814)	(4,166)	(1,505)	(150)	(7,635)
Financial assets sold under repurchase agreements	(23,653)	(3,134)	—	—	(26,787)
Due to customers	(11,604,979)	(158,648)	(34,279)	(13,505)	(11,811,411)
Debt securities issued	(202,197)	(44,444)	(18,870)	(750)	(266,261)
Other financial liabilities	(277,167)	(8,358)	(1,984)	(140)	(287,649)
Total financial liabilities	**(13,076,335)**	**(432,461)**	**(76,974)**	**(24,053)**	**(13,609,823)**
Net on-balance sheet position	659,817	31,015	(22,227)	2,589	671,194
Net notional amount of derivatives	(28,817)	232	26,246	3,295	956
Credit commitments	1,288,368	167,463	6,811	19,303	1,481,945

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Foreign exchange rate risk (continued)

The table below indicates the potential effect on profit before tax arising from a 1% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities of the Group's Domestic Operations in the condensed consolidated interim statement of financial position. Foreign currency position of the Group's Overseas Operations is not included in this assessment.

	Profit before tax	
	30 June 2014	31 December 2013
1% appreciation	41	202
1% depreciation	(41)	(202)

The effect on profit before tax is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC established RMB benchmark interest rates for loans with a floor and such policy was eliminated with effect 20 July 2013 whereby financial institutions are in a position to price their loans based on commercial and market factors. The PBOC continues to establish RMB benchmark interest rates for deposits with a cap.

The Group manages its interest rate risk by:

— Regularly monitoring the macro-economic factors that potentially impact the PBOC benchmark interest rates;

— Optimizing the management over the differences in timing between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities; and

— Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities, with reference to the prevailing PBOC benchmark interest rates where appropriate.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Interest rate risk (continued)

The tables below summarize the contractual maturity or repricing date, whichever is earlier, of the Group's financial assets and financial liabilities at the end of each reporting period.

	30 June 2014						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,593,410	—	—	—	—	257,934	2,851,344
Deposits with banks and other financial institutions	147,834	35,914	239,365	99,372	—	1,414	523,899
Placements with and loans to banks and other financial institutions	350,792	36,743	102,486	57,043	—	—	547,064
Financial assets held for trading	8,439	9,159	23,821	13,955	4,113	21	59,508
Financial assets designated at fair value through profit or loss	82,231	67,874	92,702	45,881	2,578	599	291,865
Derivative financial assets	—	—	—	—	—	6,592	6,592
Financial assets held under resale agreements	494,562	167,558	88,366	500	—	—	750,986
Loans and advances to customers	1,054,383	1,392,767	4,781,079	122,728	152,297	—	7,503,254
Available-for-sale financial assets	42,732	82,328	144,957	385,104	168,190	3,438	826,749
Held-to-maturity investments	25,676	68,799	219,242	767,296	555,612	—	1,636,625
Debt instruments classified as receivables	1,208	1,051	36,942	66,909	490,652	62	596,824
Other financial assets	—	—	—	—	—	134,533	134,533
Total financial assets	**4,801,267**	**1,862,193**	**5,728,960**	**1,558,788**	**1,373,442**	**404,593**	**15,729,243**
Borrowings from central bank	(30)	—	(81)	—	—	(30)	(141)
Deposits from banks and other financial institutions	(377,493)	(80,613)	(65,941)	(387,882)	(400)	(383)	(912,712)
Placements from banks and other financial institutions	(79,266)	(83,202)	(67,663)	(997)	—	—	(231,128)
Financial liabilities held for trading	(5,652)	(7,624)	(4,233)	—	—	(10,643)	(28,152)
Financial liabilities designated at fair value through profit or loss	(80,704)	(72,549)	(114,027)	(12,295)	(35)	—	(279,610)
Derivative financial liabilities	—	—	—	—	—	(5,603)	(5,603)
Financial assets sold under repurchase agreements	(22,298)	(95,106)	(5,920)	(598)	—	—	(123,922)
Due to customers	(7,755,302)	(954,039)	(2,749,297)	(1,198,323)	(180)	(152,363)	(12,809,504)
Debt securities issued	(18,720)	(40,116)	(80,534)	(11,069)	(124,919)	—	(275,358)
Other financial liabilities	—	—	—	—	—	(343,104)	(343,104)
Total financial liabilities	**(8,339,465)**	**(1,333,249)**	**(3,087,696)**	**(1,611,164)**	**(125,534)**	**(512,126)**	**(15,009,234)**
Interest rate gap	**(3,538,198)**	**528,944**	**2,641,264**	**(52,376)**	**1,247,908**	**(107,533)**	**720,009**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Interest rate risk (continued)

	31 December 2013						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,372,965	—	—	—	—	230,837	2,603,802
Deposits with banks and other financial institutions	116,138	50,929	129,431	98,968	—	2,212	397,678
Placements with and loans to banks and other financial institutions	162,657	21,862	86,453	37,683	—	—	308,655
Financial assets held for trading	6,289	5,759	23,673	14,370	3,723	50	53,864
Financial assets designated at fair value through profit or loss	71,322	77,635	90,059	28,950	31	1,021	269,018
Derivative financial assets	—	—	—	—	—	8,186	8,186
Financial assets held under resale agreements	439,889	119,212	177,951	—	—	—	737,052
Loans and advances to customers	2,397,715	1,355,109	2,909,162	100,804	139,732	—	6,902,522
Available-for-sale financial assets	52,362	72,720	141,801	351,271	160,790	2,367	781,311
Held-to-maturity investments	11,522	67,157	234,029	669,875	541,232	—	1,523,815
Debt instruments classified as receivables	10,635	1,775	54,372	45,099	480,095	114	592,090
Other financial assets	—	—	—	—	—	103,024	103,024
Total financial assets	**5,641,494**	**1,772,158**	**3,846,931**	**1,347,020**	**1,325,603**	**347,811**	**14,281,017**
Borrowings from central bank	—	—	(74)	—	—	(30)	(104)
Deposits from banks and other financial institutions	(296,210)	(13,109)	(43,112)	(376,853)	—	(70)	(729,354)
Placements from banks and other financial institutions	(69,464)	(65,740)	(37,427)	(1,732)	—	—	(174,363)
Financial liabilities held for trading	(4,209)	(2,525)	(4,473)	—	—	(9,598)	(20,805)
Financial liabilities designated at fair value through profit or loss	(110,696)	(94,884)	(58,302)	(21,538)	(34)	—	(285,454)
Derivative financial liabilities	—	—	—	—	—	(7,635)	(7,635)
Financial assets sold under repurchase agreements	(22,225)	(1,714)	(2,489)	(359)	—	—	(26,787)
Due to customers	(7,415,705)	(1,009,991)	(2,159,729)	(1,081,790)	(2)	(144,194)	(11,811,411)
Debt securities issued	(14,846)	(35,979)	(81,761)	(8,534)	(125,141)	—	(266,261)
Other financial liabilities	—	—	—	—	—	(287,649)	(287,649)
Total financial liabilities	**(7,933,355)**	**(1,223,942)**	**(2,387,367)**	**(1,490,806)**	**(125,177)**	**(449,176)**	**(13,609,823)**
Interest rate gap	**(2,291,861)**	**548,216**	**1,459,564**	**(143,786)**	**1,200,426**	**(101,365)**	**671,194**

(Amounts in millions of Renminbi, unless otherwise stated)

49 FINANCIAL RISK MANAGEMENT (continued)

49.3 Market risk (continued)

Interest rate risk (continued)

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant RMB, USD and HKD interest rate curves on the Group's net interest income and equity for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on equity reflects only the effect of changes in fair value of those financial instruments classified as available-for-sale financial assets held, whose fair value changes are recorded as an element of equity.

	30 June 2014		31 December 2013	
	Net interest income	Equity	Net interest income	Equity
+100 basis points	(19,595)	(20,009)	(11,922)	(19,330)
- 100 basis points	19,595	20,009	11,922	19,330

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and equity of the Group under different parallel yield curve movements, relative to their position at period-end.

49 FINANCIAL RISK MANAGEMENT (continued)

49.4 Insurance risk

The Group engages in its insurance business primarily in Mainland China. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

50 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

In 2012, the CBRC issued the "Capital Rules for Commercial Banks (Provisional)" which took effect from 1 January 2013. Upon the effectiveness of this new regulation, the existing "Measures for the Management of Capital Adequacy Ratio of Commercial Banks", issued by the CBRC, was superseded in full.

The "Capital Rules for Commercial Banks (Provisional)", includes, among other things, requirements for minimum capital, additional capital for systemically important banks, capital reserves, countercyclical capital and Pillar II capital. Of these, the minimum regulatory requirements for Core Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively; and systemically important banks in Mainland China are required to maintain an additional 1% of Core Tier-one Capital. At the same time, according to the CBRC's "Notice of Transitional Arrangements for the Implementation of the 'Capital Rules for Commercial Banks (Provisional)'", Core Tier-one capital reserve requirements, will be introduced gradually during the transitional period. Additionally, if the regulators require countercyclical capital under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements should be met within the specified time limits.

(Amounts in millions of Renminbi, unless otherwise stated)

50 CAPITAL MANAGEMENT (continued)

The Group has been using the Weighted approach and the Basic Indicator approach to measure its Credit Risk-weighted Assets and Operational Risk-weighted Assets, respectively, for the purpose of calculating its Capital Adequacy Ratios. In April 2014, the CBRC has officially approved the Group to adopt the Internal Ratings-Based approach to measure its Credit Risk-weighted Assets for both retail and non-retail risk exposures and the Standardized approach to measure its Operational Risk-weighted Assets, respectively. The CBRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the above two approaches, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

As at 30 June 2014 and 31 December 2013, the Group adopted the Standardized approach for Market Risk-weighted Assets measurement.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBRC. Required information related to capital levels and utilization is filed quarterly with the CBRC.

The table below summarizes the Capital Adequacy Ratios and capital composition as at 30 June 2014 calculated pursuant to the "Capital Rules for Commercial Banks (Provisional)" and under the Internal Ratings-Based approach for Credit Risk-weighted Assets and the Standardized approach for Market Risk-weighted Assets and Operational Risk-weighted Assets, respectively, as approved by the CBRC in April 2014.

		30 June 2014
Core Tier-one Capital Adequacy Ratio	(1)	8.65%
Tier-one Capital Adequacy Ratio	(1)	8.65%
Capital Adequacy Ratio	(1)	11.89%
Core Tier-one Capital	(2)	906,524
Deductible Items from Core Tier-one Capital	(3)	(5,361)
Net Core Tier-one Capital		901,163
Additional Tier-one Capital	(4)	2
Net Tier-one Capital		901,165
Tier-two Capital	(5)	337,810
Net Capital		1,238,975
Risk-weighted Assets	(6)	10,422,045

As at 31 December 2013, the Group's Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Core Tier-one Capital Adequacy Ratio with Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets measured under the Weighted approach, the Standardized approach, and the Basic Indicator approach, respectively, were 11.86%, 9.25% and 9.25%, respectively.

50 CAPITAL MANAGEMENT (continued)

Pursuant to the "Capital Rules for Commercial Banks (Provisional)":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes domestic institutions, overseas institutions and affiliated financial subsidiaries specified in the Regulation.

The Core Tier-one Capital Adequacy Ratio is calculated as Net Core Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(2) The Group's Core Tier-one Capital includes: ordinary share capital, the capital reserve (subject to regulatory limitations), the surplus reserve, the general reserve, retained earnings, minority interests (to the extent permitted in the Core Tier-one Capital under the Regulation), and the foreign currency translation reserve.

(3) The Group's Deductible Items from Core Tier-one Capital include: other intangible assets (excluding land-use rights), and Core Tier-One capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.

(4) The Group's Additional Tier-one Capital includes: minority interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group's assets and liabilities in the condensed consolidated interim statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities do not have a material impact on the Group's financial position and operations, taken as a whole.

The Group did not have any financial assets or financial liabilities subject to non-recurring fair value measurements in the current interim period or for the year ended 31 December 2013.

51.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— the fair value of financial assets and financial liabilities with standard terms and conditions, traded in active, liquid markets are determined with reference to quoted market bid prices and ask prices, respectively;

— discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for non-option-type derivatives, and option pricing models are used for option-type derivatives;

— the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there are no available observable current market transactions prices for similar instruments, the quoted price from the transaction counterparty is used for the valuation, and management performs analysis on this price.

The Group has established an independent valuation process for financial assets and financial liabilities. The Finance Market Department is responsible for the valuation of financial assets and financial liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

During the current interim period, there was no significant change in the valuation techniques or inputs used to determine fair value measurements as compared to those used in the annual consolidated financial statements for the year ended 31 December 2013.

(Amounts in millions of Renminbi, unless otherwise stated)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

51.2 Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices); and

Level 3: fair value measurements are not based on observable market data (that is, unobservable inputs).

51.3 Financial assets and financial liabilities not measured at fair value on the condensed consolidated interim statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the condensed consolidated interim statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as Balances with Central Banks, Deposits with Banks and Other Financial Institutions, Placements with and Loans to Banks and Other Financial Institutions, Financial Assets Held under Resale Agreements, Loans and Advances to Customers, Receivable from the MOF, Special Government Bond, Borrowings from Central Bank, Deposits and Placements from Banks and Other Financial Institutions, Due to Customers, Financial Assets Sold under Repurchase Agreements, Certificates of Deposit Issued and Interbank Certificate of Deposits Issued are not included in the tables below. Fair value of the following financial assets and financial liabilities are classified within Level 2.

	30 June 2014		31 December 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Held-to-maturity investments	1,636,625	1,611,676	1,523,815	1,444,898
Debt instruments classified as receivables	141,470	140,274	136,736	131,214
Total	**1,778,095**	**1,751,950**	**1,660,551**	**1,576,112**
Financial liabilities				
Bonds issued	151,952	144,218	156,300	146,741
Total	**151,952**	**144,218**	**156,300**	**146,741**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

51.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value.

	30 Jun 2014			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
— Debt securities	—	40,656	—	40,656
— Precious metal contracts	—	18,852	—	18,852
Subtotal	—	59,508	—	59,508
Financial assets designated at fair value through profit or loss				
— Debt securities	—	38,867	—	38,867
— Interest in trust products	—	—	187,209	187,209
— Other debt instruments	—	—	65,190	65,190
— Equity instruments	—	—	599	599
Subtotal	—	38,867	252,998	291,865
Derivative financial assets				
— Exchange rate derivatives	—	5,355	146	5,501
— Interest rate derivatives	—	981	37	1,018
— Precious metal contracts	—	73	—	73
Subtotal	—	6,409	183	6,592
Available-for-sale financial assets				
— Debt securities	8,018	815,147	146	823,311
— Equity instruments	465	—	621	1,086
— Fund investments	1,134	—	—	1,134
— Others	—	—	957	957
Subtotal	9,617	815,147	1,724	826,488
Total	**9,617**	**919,931**	**254,905**	**1,184,453**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(28,152)	—	(28,152)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(279,610)	(279,610)
Derivative financial liabilities				
— Exchange rate derivatives	—	(3,964)	(270)	(4,234)
— Interest rate derivatives	—	(1,080)	(64)	(1,144)
— Precious metal contracts	—	(225)	—	(225)
Subtotal	—	(5,269)	(334)	(5,603)
Total	**—**	**(33,421)**	**(279,944)**	**(313,365)**

(Amounts in millions of Renminbi, unless otherwise stated)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

51.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value. (continued)

	31 December 2013			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
— Debt securities	—	42,012	—	42,012
— Equity instruments	48	—	—	48
— Precious metal contracts	—	11,804	—	11,804
Subtotal	48	53,816	—	53,864
Financial assets designated at fair value through profit or loss				
— Debt securities	—	58,007	—	58,007
— Interest in trust products	—	—	171,280	171,280
— Other debt instruments	—	—	38,710	38,710
— Equity instruments	—	—	1,021	1,021
Subtotal	—	58,007	211,011	269,018
Derivative financial assets				
— Exchange rate derivatives	—	5,623	292	5,915
— Interest rate derivatives	—	1,582	55	1,637
— Precious metal contracts	—	634	—	634
Subtotal	—	7,839	347	8,186
Available-for-sale financial assets				
— Debt securities	6,802	771,946	196	778,944
— Equity instruments	549	—	29	578
— Fund investments	988	—	—	988
— Others	—	560	—	560
Subtotal	8,339	772,506	225	781,070
Total	**8,387**	**892,168**	**211,583**	**1,112,138**
Financial liabilities held for trading				
— Financial liabilities related to precious metals	—	(20,805)	—	(20,805)
Financial liabilities designated at fair value through profit or loss				
— Principal guaranteed wealth management products	—	—	(285,454)	(285,454)
Derivative financial liabilities				
— Exchange rate derivatives	—	(5,123)	(571)	(5,694)
— Interest rate derivatives	—	(1,820)	(120)	(1,940)
— Others	—	—	(1)	(1)
Subtotal	—	(6,943)	(692)	(7,635)
Total	**—**	**(27,748)**	**(286,146)**	**(313,894)**

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

51.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (continued)

Substantially all financial assets and financial liabilities classified within Level 3 of the fair value hierarchy are credit assets and other financial assets and financial liabilities designated at fair value through profit or loss. Generally, these assets are the investments into which wealth management products have invested, and for which the Group has provided investors with a principal, and/or return guarantee. The related liability, the wealth management product itself, is also designated at fair value through profit or loss. These designations offset the accounting mismatch.

The nature of the assets classified within Level 3 is primarily investment products issued by domestic trust companies or other financial institutions, underlying assets of which include credit assets, deposits with financial institutions and debt securities. The counterparties of the underlying deposits are primarily commercial banks in Mainland China. The credit assets and debt securities are loans and advances to corporate customers and, plain vanilla bonds or notes issued by corporates or financial institutions in Mainland China. As not all of the inputs needed to estimate the fair value of deposits, credit assets and debt securities in the investment products are observable, the Group classified the investment product as a whole within Level 3. The significant unobservable inputs related to the credit assets are those around credit risk and liquidity risk. This largely relates to the lack of historical default and liquidity information through one or more economic cycles, which Mainland China has not experienced. Management has made assumptions, based on observed indicators of impairment or significant changes in yield, but the actual value realized from these assets in a current arm's length sale could differ from those disclosed.

There were no significant transfers between levels of the fair value hierarchy during the period ended 30 June 2014 and the year ended 2013.

(Amounts in millions of Renminbi, unless otherwise stated)

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

51.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (continued)

The reconciliation of Level 3 fair value measurements of financial assets and financial liabilities presented at fair value on the condensed consolidated interim statement of financial position is as follows:

	Six months ended 30 June 2014				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2014	211,011	347	225	(285,454)	(692)
Purchases	200,272	—	1,543	—	—
Issues	—	—	—	(2,418,627)	—
Settlements/disposals	(162,727)	(3)	(53)	2,431,000	28
Total gains/(losses) recognized in					
— Profit or loss	4,442	(161)	10	(6,529)	330
— Other comprehensive income	—	—	(1)	—	—
30 June 2014	**252,998**	**183**	**1,724**	**(279,610)**	**(334)**
Change in unrealized gains/(losses) for the period included in profit or loss for assets/liabilities held at the end of the period	540	(161)	—	(136)	330

	2013				
	Financial assets designated at fair value through profit or loss	Derivative financial assets	Available-for-sale financial assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities
1 January 2013	127,094	796	5,741	(155,071)	(1,856)
Purchases	433,011	—	—	—	—
Issues	—	—	—	(1,201,295)	—
Settlements/disposals	(357,601)	(48)	(5,536)	1,080,965	232
Total gains/(losses) recognized in					
— Profit or loss	8,507	(401)	22	(10,053)	932
— Other comprehensive income	—	—	(2)	—	—
31 December 2013	**211,011**	**347**	**225**	**(285,454)**	**(692)**
Change in unrealized gains/(losses) for the year included in profit or loss for assets/liabilities held at the end of the year	647	(401)	—	(693)	932

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

51.4 Financial assets and financial liabilities measured at fair value on the condensed consolidated interim statement of financial position (continued)

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in Net Trading Gain and Net Gain on Investment Securities of the condensed consolidated interim income statement.

52 EVENTS AFTER THE REPORTING PERIOD

Pursuant to the approval by the CBRC and the PBOC, the Bank issued Tier-two Capital Bonds in the amount of RMB30 billion with a tenor of 10 years bearing interest at 5.8% per annum on 18 August 2014, to replenish its Tier-two Capital.

53 COMPARATIVES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1 LIQUIDITY RATIOS

	30 June 2014	31 December 2013
RMB current assets to RMB current liabilities	47.94%	43.57%
Foreign currency current assets to foreign currency current liabilities	109.12%	114.95%

The liquidity ratios are calculated in accordance with the relevant provisions of the PBOC and the CBRC, and based on the data determined under the PRC GAAP.

2 CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
30 June 2014				
Spot assets	662,064	49,484	29,835	741,383
Spot liabilities	(617,482)	(77,381)	(31,594)	(726,457)
Forward purchases	396,778	40,445	65,294	502,517
Forward sales	(389,011)	(6,179)	(56,774)	(451,964)
Net options position	3,238	—	(631)	2,607
Net long position	55,587	6,369	6,130	68,086
Net structural position	**3,384**	**4,323**	**674**	**8,381**

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
31 December 2013				
Spot assets	467,323	54,544	27,100	548,967
Spot liabilities	(428,295)	(75,469)	(23,903)	(527,667)
Forward purchases	300,777	45,524	51,068	397,369
Forward sales	(301,283)	(19,278)	(47,915)	(368,476)
Net options position	702	—	(82)	620
Net long position	39,224	5,321	6,268	50,813
Net structural position	**3,081**	**4,082**	**675**	**7,838**

3 CROSS-BORDER CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross-border claims.

(Amounts in millions of Renminbi, unless otherwise stated)

3 CROSS-BORDER CLAIMS (continued)

Cross-border claims include Balances with Central Banks, Deposits with Banks and other Financial Institutions, Placements with and Loans to Banks and Other Financial Institutions, Financial Assets Held for Trading, Financial Assets Designated at Fair Value through Profit or Loss, Loans and Advances to Customers, Financial Assets Held under Resale Agreements, Available-for-Sale Financial Assets, Held-to-Maturity Investments and Debt Instruments Classified as Receivables.

Cross-border claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
30 June 2014				
Asia Pacific excluding Mainland China	13,051	3,739	63,120	79,910
— of which attributable to Hong Kong	5,414	3,169	51,915	60,498
Europe	21,212	—	1,949	23,161
North and South America	28,691	3,017	6,412	38,120
Africa	61	—	—	61
Total	**63,015**	**6,756**	**71,481**	**141,252**

	Banks and other financial institutions	**Public sector entities**	**Others**	**Total**
31 December 2013				
Asia Pacific excluding Mainland China	13,501	2,205	48,013	63,719
— of which attributable to Hong Kong	5,715	1,572	41,759	49,046
Europe	12,471	309	2,466	15,246
North and South America	23,890	3,356	5,057	32,303
Africa	61	73	—	134
Total	**49,923**	**5,943**	**55,536**	**111,402**

(Amounts in millions of Renminbi, unless otherwise stated)

4 OVERDUE AND RESCHEDULED ASSETS

(1) Gross amount of overdue loans and advances to customers

	30 June 2014	31 December 2013
Overdue		
within 3 months	49,776	34,893
between 3 and 6 months	18,433	6,832
between 6 and 12 months	17,546	15,078
over 12 months	37,566	43,621
Total	**123,321**	**100,424**
Percentage of overdue loans and advances to customers in total loans		
within 3 months	0.63%	0.48%
between 3 and 6 months	0.24%	0.09%
between 6 and 12 months	0.22%	0.22%
over 12 months	0.48%	0.60%
Total	**1.57%**	**1.39%**

(2) Overdue and rescheduled loans and advances to customers

	30 June 2014	31 December 2013
Total rescheduled loans and advances to customers	11,140	10,376
Including: rescheduled loans and advances to customers overdue for not more than 3 months	8,416	7,960
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	0.11%	0.11%

(3) Gross amount of overdue Placements with and Loans to Banks and Other Financial Institutions

The gross amount of the Group's overdue Placements with and Loans to Banks and Other Financial Institutions as at 30 June 2014 and 31 December 2013 were not material.

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